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Conflicting aims muddle Arab summit agenda, Page 5

World news

Oslo vote likely to topple Willoch

A change of Government appeared imminent in Norway after a decision by the main opposition Labour Party to vote against the emergency package of economic measures tabled by the Conservative-led minority coalition. The Prime Minister, Mr Kåre Willoch, had warned that his Government would resign if the measures were defeated.

The prospect of Labour's return to power sent share prices plunging on Oslo's stock exchange, continuing Monday's decline. A further NKr 3bn-NKr 4bn ($435m-$580m) was knocked off share values.

The two MPs of the small right-wing Progress Party, who usually vote with the Government, said in yesterday's Storting (parliament) debate that this time they would vote with the opposition. Page 16

Asean summit

Foreign ministers of the Association of South-East Asian Nations (Asean) said they had agreed that the six-nation grouping should hold a summit in Manila next year. It will be the first Asean summit since 1977.

Golden Temple call

Sikh separatist radicals in India declared "Khalistan" a separate nation – from their holiest shrine the Golden Temple and called for foreign recognition.

Food aid threat

Union action to black US ships in support of Libya could put an end to one of the largest food aid programmes in Africa, say western officials in Khartoum, Sudan.

Celebration marred

A bomb explosion, disruption of high-speed train services and demonstrations by thousands of left-wingers marred celebrations in Tokyo of Emperor Hirohito's 85th birthday and his 60th year on the Japanese throne.

Campaign violence

Rabiul Awal Kiron, a former member of parliament, was killed and beheaded and at least 400 other people injured in pre-election violence in Bangladesh, police said.

Haiti election call

Haitian political leader Marc Bazin, a leading candidate for his country's vacant presidency, called on the ruling National Council to set an early date for democratic elections.

Air links resume

US-Soviet air links resumed after a five-year gap, as a result of an agreement at last November's Geneva summit.

Police dismissed

Peru's Government, campaigning to end police corruption, has dismissed General Julio Nins Rios, chief of the Republican Guard, its third biggest police force, and 10 of his subordinates.

Avalanche deaths

Five people were killed in avalanches in several Swiss skiing areas, bringing the death toll in Swiss Alps avalanches so far in the 1985–86 winter sports season to 32.

Chinese slave tomb

Heavy rain halted efforts by Chinese archaeologists to pry open coffins in a massive tomb thought to contain the remains of 180 slaves buried alive 2,600 years ago.

Duchess buried

The Duchess of Windsor, who died last week in Paris, was buried next to the Duke at Frogmore, the royal burial ground at Windsor Castle, west of London, after a simple funeral service attended by the British royal family.

Business summary

Leading indicators up 0.5% in US

US INDEX of leading economic indicators rose a modest 0.5 per cent in March, reflecting what Commerce Secretary Malcolm Baldrige described as "some soft spots in the economy." Page 4

DOLLAR rose in London to DM 2.1755 (DM 2.1640), SFr 1.8195 (SFr 1.8080), FFr 6.9325 (FFr 6.8975) and Y167.8 (Y167.15). On Bank of England figures, its exchange-rate index rose from 113.2 to 113.4. Page 31

STERLING fell slightly against the dollar to $1.5525 ($1.5555). It rose to DM 3.3775 (DM 3.3650), SFr 2.825 (SFr 2.8125), FFr 10.7625 (FFr 10.73) and Y260.50 (Y260.0). The pound's exchange-rate index rose to 76.6 from 76.4. Page 31

WALL STREET: The Dow Jones industrial average closed 17.88 down at 1,825.89. Page 38

LONDON: Issues gained on confident industrial reports. Gilts also advanced. The FT Ordinary share index rose 25.9 to 1,391.3 and the FT-SE 100 put on 27.5 to 1,656.3. Page 38

TOKYO: Stock exchange was closed for a national holiday. Surge in US bond activity, Page 38

GOLD rose $1 in the London bullion market to close at $345.75. It fell in Zurich to $343.25 from $343.60. In New York, the Comex June settlement was $346.90. Page 30

EEC annual inflation rate, excluding Spain and Portugal, fell to 3.5 per cent in March from a 15-year low of 4.1 per cent in February. West Germany recorded 0.1 per cent and Greece 24.8 per cent.

BRITISH manufacturers expect a sharp improvement in output in the coming months, as they emerge from a period of stagnation over the winter, according to the Confederation of British Industry. Page 11

KENYA began talks in Paris with the World Bank and a group of Western donor countries and organisations aimed at reviewing aid and investment.

SOUTH AFRICA has taken advantage of the sharp fall in international oil prices to replenish its strategic oil stockpile, Gerhard de Kock, Governor of the Reserve Bank, said.

ELECTRONICS: Mounting Western restrictions on sales of electronic components to Eastern Europe might lead to a permanent gulf between the two blocks, according to Jan Kolodziejczak, managing director of Telkom Peletra, Comecon's only producer of electronic telephone exchanges. Page 7

PHILLIPS Petroleum, US integrated oil group, suffered a first-quarter setback with net operating profits of $96m against $115m in the corresponding period a year ago. Profits per share, however, were sharply up at 39 cents against 26 cents, reflecting the group's debt for equity swap last year as it fought off takeovers.

EASTERN AIR LINES of the US blamed cut-price fares and strike threats for a 1986 first-quarter net loss of $110.62m against a profit of $24.3m. Page 17

BETHLEHEM STEEL, beleaguered US steel company that ran up further heavy losses in the first quarter this year, said Mr Donald Trautlein, its chairman for the past six years, would retire at the end of May. Page 17

AUSTIN ROVER is strengthening its dealer network in West Germany and preparing to pay more than £2m ($3.1m) extra in tariffs on exports to Spain as part of a European sales drive. Page 8

NEDBANK, troubled South African banking group, reported after-tax mid-year profits down almost a third at R32.2m ($10.3m). Page 17

D-MARK Eurobonds: A record new issue calendar of DM 18.73bn has been registered for issue in May, the Bundesbank said. Page 20

Soviet Union asks for assistance and reports first deaths

Reactor 'burning out of control'

BY PATRICK COCKBURN IN MOSCOW, KEVIN DONE IN STOCKHOLM, RUPERT CORNWELL IN BONN AND DAVID BUCHAN IN LONDON

WESTERN nuclear experts believed last night that graphite moderator material at the Chernobyl nuclear reactor near Kiev in the Soviet Union was burning out of control. There might be a possible meltdown of the fuel core itself in what is already being considered the worst nuclear accident in history.

A Soviet Government statement admitted that at least two people had died in the disaster at the now evacuated plant, but added that radiation levels at the plant and "adjacent" territory had "stabilised."

Unofficial reports have suggested a far higher death toll. A report by one newsagency, UPI, spoke of a figure as high as 2,000, but added that that could not be independently or officially confirmed.

Diplomats in Moscow last night said they knew of no evidence to support news agency reports of a very high casualty figure.

The commentary was the first precise statement about the scale of the accident from the Soviet Government, which earlier asked West Germany and Sweden for advice on how to fight a reactor fire.

A Soviet Government commission, headed by a deputy prime minister and including heads of ministries and scientists, was said last night to be "working in the locality," presumably as much to manage the crisis as to investigate its causes. People at the Chernobyl plant settlement and three nearby villages had been evacuated and given medical aid.

In the vacuum caused by that was virtually a news blackout by the Soviet authorities, unconfirmed reports from Westerners in the area indicated that an 18-mile security zone had been imposed around the stricken and burning Chernobyl plant. But life in Kiev, 80 miles to the south and with a population of 2.4m, appeared to be normal.

However, Western journalists and diplomats were yesterday effectively barred from travelling to Kiev, while at the same time Intourist, the Soviet national tourist agency, said that tourist groups were still being taken to the Ukrainian capital.

The US yesterday offered the Soviet Union humanitarian and technical aid to deal with the accident. But the Chernobyl reactor, which works on a water-cooled graphite-moderated process unique to the Soviet Union, is used for both civil and military purposes. Perhaps significantly, the two Western countries from which Moscow has sought advice – West Germany and Sweden – are not nuclear-weapon states.

The accident, according to yesterday's brief official statement, took place in one of Chernobyl's four 1,000 Mw reactors. "It resulted in the destruction of part of the structural elements of the building housing the reactor, its damage and a certain leak of radioactive substances." The three undamaged reactors have also been shut down.

In its search for international help to put out the reactor fire, the Soviet Union yesterday contacted the Swedish nuclear inspectorate. Mr Frigyes Reisch, an inspectorate official, said: "They wanted to know how to approach the problem: how to put out the fire."

Swedish officials stated that they told Moscow they had no knowledge of how to control a graphite fire at a nuclear power plant, but suggested that the Soviet authorities should inquire of Britain, as they said a fire at the Windscale nuclear power station in northern England was the only known previous case of a graphite fire at a nuclear plant. That suggestion seemed last night not have been taken up, as Britain had not been asked for help.

At the same time, the Soviet Ambassador to Bonn met a senior West German Foreign Ministry official to seek similar help.

According to unofficial reports, the Soviet Union has sought medical help from West Germany. Meanwhile in Denmark, people were queueing to buy iodine tablets, the usual antidote in radiation cases.

In northern Sweden, where fresh rain or snow had fallen in the previous 24 hours, tests yesterday showed radioactivity levels at least 10 times higher than normal. But the Swedish institute for radiological protection said 80 per cent of the radioactive material was shortlived and should disperse within a week.

Poland yesterday became the first of the Soviet Union's East European allies to report increased levels of radiation from the Chernobyl reactor.

The Polish Government banned the sale of milk from cows that feed on fresh grass and said children in the north-east of the country would be treated for possible radiation contamination.

In New York, Mr Mostafa Tolba, head of the United Nations Environment Programme (Unep) echoed earlier calls by Scandinavian countries for Moscow to release more information about what had happened at Chernobyl.

"Any country which accidentally spills toxic substances across borders to people living downwind should have the responsibility to provide such information," Mr Tolba said.

In London, the Soviet Union came under fire from all sides in

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Soviet N-plant disaster, Page 3; Russia's dangerous secret, Page 14; Editorial comment, Page 14

NUCLEAR MELTDOWN INCIDENTS

Reactor	Type	Year
NRX (Canada)	Experimental pressure tube	1952
EBR-1 (US)	Experimental fast reactor	1955
Windscale (UK)	Plutonium production pile	1957
SL-1* (US)	Experimental mobile reactor	1961
Enrico Fermi (US)	Experimental fast reactor	1966
Chapelcross (UK)	Plutonium production reactor	1966
St Laurent (France)	Magnox reactor	1969
Lucens (Switzerland)	Experimental reactor	1969
Three Mile Island (US)	Pressurised water reactor	1979
Chernobyl (USSR)	RBMK	1986

* One person was killed, the only known death before the Chernobyl disaster.

China pays the price for year of rapid expansion

By Robert Thomson in Peking and Colina MacDougall in London

CHINA'S pragmatic leadership has suffered a twin blow to its central objective of liberalising the economy and creating wealth as opposition to the new policies continues to block reform.

Attempts to slow economic growth after last year's excesses have backfired and there is now a danger of economic stagnation, according to diplomats. Ambitious trade forecasts for 1986 have been lowered significantly, and several joint ventures with foreign companies will be under threat because of renewed controls on foreign exchange spending.

China's leadership also suffered a reversal when the National People's Congress – the country's parliament – publicly revised Premier Zhao Ziyang's report to the meeting this month before approving it. This is an unprecedented snub to a top leader and signals a difference in policy at the highest level.

The changes to the document appear to voice the policy anxieties expressed by elderly economic leader Chen Yun at an important party meeting last autumn and reflect adjustments to the pragmatic policies laid down by Deng Xiaoping, the Chinese leader, in recent years.

Two of the three additions to the report highlighted by the official Xinhua newsagency relate to the need to focus on agriculture, particularly grain, and on Marxism and building a socialist society. Last September Chen Yun, in the first such call made in China in recent years, demanded more attention to grain production, emphasising: "There is no economic stability without agricultural development."

While Chen was one of many leaders last year who made a call for more socialism, his speech was the toughest, saying that neglect for ideology was "by no means a small problem" which might end in total deviation from Marxism.

A third insertion in Zhao's report gives greater space to the provision of aid to minority and poverty-stricken areas. That marks a distinct shift in Peking's policy, which held that prosperity could come only by spreading naturally from the more affluent east coast.

A further change gives the paragraphs on education a more radical tinge.

China plans to reduce trade volume this year, while investment in fixed assets will be kept at 1985 levels for the next two years. Capital construction projects are to be re-

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London clears way for £ commercial paper market

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE BRITISH Government gave the go-ahead yesterday to the creation of a sterling commercial paper market in the UK.

The decision, contained in a written reply by Mr Nigel Lawson, Chancellor of the Exchequer, was warmly welcomed in the City of London last night as laying the basis for a major new financial market where large borrowers and investors will trade short-term money directly among each other in the form of unsecured paper.

It comes in response to pressure from both the UK financial markets and large companies which are keen to replicate the highly successful commercial paper market pioneered in the US.

Although it is not directly related to other changes sweeping through London – the so-called Big Bang – the new market will extend the range of financing options available to UK companies, provide institutional investors with a new home for their money, and add further depth to the London markets.

Mr Lawson said that Britain's Banking Act would be amended to exempt commercial paper from the definition of a deposit, removing the main legal obstacle to the creation of the new financing facility. Large companies are expected to make continuous use of the market, and could have effectively become deposit-takers, an activity permitted only to licensed banks.

The Bank of England last night also gave details of arrangements for the new market, which could start within three weeks.

In order to reduce the risks, access will be permitted only to companies which:

- have ordinary or preferred stock listed on the London Stock Exchange
- have net assets of at least £50m ($78m)
- can say there has been no material change in their condition since their last financial statements.

This definition will restrict borrowers to large, well-known companies, but it will also include borrowers from outside the UK.

Issues of commercial paper will be in minimum denominations of £500,000 and may have maturities between seven days and one year. They are intended for professional investors, and will be exempt from stamp duty. No tax will be withheld on interest payments.

S. G. Warburg, the merchant banking group, announced last night what it claimed was the UK's first commercial paper issue: £100m worth for PHH International, the subsidiary of a US company relocation and transport company. The issue will be made as soon as the necessary legal and regulatory arrangements are complete.

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Britain reduces tax on ADRs to 1½%

BY PETER MONTAGNON IN LONDON

THE UK Treasury yesterday amended its controversial budget plan to impose tax on the conversion of British shares into American Depositary Receipts (ADRs). It said the rate would be cut to 1½ per cent from 5 per cent.

Its decision follows a wave of protests from British stockbrokers and industrial leaders, who argued that the tax would inhibit their ability to raise capital abroad and deter foreign investment in Britain. ADRs, which are actively traded in New York, are US securities representing shares in foreign companies.

The announcement was part of a series of changes to the budget announced yesterday in a written parliamentary answer by Mr Nigel Lawson, Chancellor of the Exchequer. Other changes include:

- The restoration of exemption from stamp duty on most categories of corporate bond issues and so-called bulldog bonds (sterling issues by foreign borrowers in the UK market). Since the budget announcement this tax has led to a sharp reduction in dealing of bulldog bonds and driven new issue business offshore.
- The exemption from duty of share purchases by broker/dealers provided they are sold within a period of seven days. Bankers say this should help the development of efficient market-making and block trading.

Sir Nicholas Goodison, chairman of the London Stock Exchange, said all three changes would help industry to continue raising capital on competitive terms, though he added "the best news both for industry and for London as a world financial centre would still be the abolition of duty so that the market can compete on level terms with the market in the US."

In his statement, Mr Lawson said his main intention was to impose a tax on ADRs "at a rate which broadly speaking would eliminate the incentive to use them for tax avoidance."

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Lex, Page 16

Beatrice sells Avis to Simon-led group

BY PAUL TAYLOR IN NEW YORK

BEATRICE, the US food and consumer products group which was acquired earlier this month in a $6.2bn leveraged buy-out by Kohlberg, Kravis, Roberts, the Wall Street acquisition specialists, has agreed to sell its Avis car rental business to Wesray Capital, the investment group led by Mr William Simon, the former US Treasury Secretary.

Terms of the cash deal were not disclosed, although Wall Street analysts have previously estimated that Avis, first put on the auction block last October, might fetch anything between $100m and $300m. Last year, UAL, the parent of United Airlines, paid RCA $587.5m for Hertz, the world's largest car rental group.

Beatrice said the deal covered Avis's domestic and foreign car rental and leasing businesses. If the deal, which is subject to a number of conditions, is completed it would mark the latest in a long string of ownership changes for Avis. Avis is the second largest car hire company and was founded in 1946. Since then it has been owned by ITT, Norton Simon, Esmark and, most recently, Beatrice, which acquired the unit when it took over Esmark in 1984.

Last October, Beatrice announced plans to sell Avis as part of its efforts to raise $2bn to reduce debts incurred in the Esmark takeover. Since then, several potential suitors have emerged, among them Mr Warren E. Avis, Avis's founder.

For Wesray and Mr Simon, the planned acquisition marks the latest in a string of deals put together in recent years. Mr Simon, who is a co-founder and chairman of the investment group, sprang into public prominence again after masterminding Wesray's acquisition of Gibson Greetings, the greetings card company, from RCA in 1982 for about $80m. A year later, Wesray took Gibson public at an offering price which valued the group at $330m.

Since then, Wesray has successfully completed a series of buyouts, mostly for $110m or less. Earlier this year, Wesray led a $625m cash and paper management buyout of Rockefeller group's broacasting interests.

ENI warns of setback after record profits

By James Buxton in Rome

ENI, the Italian state energy group that returned to the black in 1985 with record profits, gave a warning yesterday that it might suffer a big reduction in its operating profits and self-financing this year as a result of the dramatic fall in the oil price.

The company, however, would remain in profit, said Mr Franco Reviglio, chairman. He presented the 1985 accounts showing profits of L816bn ($549m) on sales of L46,706bn.

In 1984 ENI lost L65bn on sales of L44,701bn. At the time, it stated the figures as L88bn on sales of L45,349bn.

Mr Reviglio pointed to increased profits in the energy sector, which makes up nearly 80 per cent of ENI's turnover. But there were sharply increased losses in chemicals, and ENI's minerals, textile machinery, and textile and clothing operations all made losses, although at a lower level than in 1984.

Operating profit was L3,129bn against L2,896ba in 1984. Debt fell from L17,962bn at the end of 1984 to

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French concern on risk of inflation revival

BY DAVID HOUSEGO IN PARIS

THE Governor of the French central bank warned the Government yesterday that reducing the inflation rate must remain the principal economic priority. Giving his annual report on the economy, Mr Michel Camdessus also called for the rapid removal of the foreign exchange premium French people have to pay on the purchase of foreign stocks and of other restrictions on capital flows.

The report is traditionally one of the few occasions on which the governor comments publicly on the state of the economy and on macroeconomic policy. It is also the first assessment made by Mr Camdessus—who was appointed under the Socialists—since the right came to power.

Warning that France cannot permit any delay in closing the inflation gap with its main European competitors, he called for a further reduction in the budget deficit, the lowering of real wage costs and a continuingly tight monetary policy.

FRANCE'S new conservative government was caused considerable discomfort yesterday by the publication of an official report which showed that the Socialists' management of the state's finances was not nearly as bad as the right had made out during the election campaign, writes David Housego.

The report was commissioned by Mr Jacques Chirac, the Prime Minister, from Mr Renaud de la Geniere, the former Bank of France governor. It showed that before the recent supplementary budget, the overall budget deficit for this year would have been FFr 159bn rather than the FFr 200bn claimed by the right.

At the same time the absence of virtually any commentary on the figures tended to confirm reports that Mr de la Geniere had removed parts of his original text urging priority for reducing the budget deficit.

As it is, the Government is planning next year to cut taxes by about FFr 25bn and the budget deficit by about FFr 15bn—goals which are like to prove difficult. At the same time. Mr de la Geniere confirms that the deficit in the Social Security Fund is likely to rise to FFr 40bn.

His calculations show that the overall deficit of the public administrations—the state budget, the local authorities and the social security fund—fell as a percentage of GNP from 3.1 per cent in 1983 to 2.6 per cent last year. It had been, however, only 0.2 per cent of GNP in 1980 when Mr Raymond Barre was Prime Minister.

Mr de la Geniere also says that the domestic public debt rose from FFr 418bn at the end of 1980 to FFr 1,228bn at the end of last year.

In future, he said, there could be far more flexibility in the use of interest rates to keep monetary growth within the 5 per cent official target for this year. While he expected the overall trend to be down, this did not exclude a rise in interest rates if pressures on the financial markets warrant it. "Rates must remain high if inflation does not recede or if it revives," he said.

Mr Camdessus's warning coincides with government concern about a widening of the difference between France's inflation rate and that of its European partners. The recent devaluation of the franc is itself likely to add about 0.5 per cent in a year to the consumer price index. On top of that, the increases in French agricultural prices and the risk that retailers and the service industries will exploit the change of government to raise their prices could add inflationary pressures.

The first sign of this danger came in last month's 0.3 per cent rise in the consumer price index after months of virtual stability. It was this that led Mr Jacques Chirac, the Prime Minister, to warn of the risks of inflation reviving when he made his first television broadcast last week.

The bank governor implicitly linked his remarks on the easing of exchange controls to an agreement among France's partners in Europe on a greater role for the European currency unit in official transactions. West Germany, in particular, has been reluctant to agree to this until France removes restrictions on capital flows — including investment — within Europe.

Paul Betts reports from one of France's largest North African communities

Election fans Marseilles racial tensions

"I'M BEGINNING to ask myself questions about my identity because of the general atmosphere here," said the pretty dark faced girl in the Maison des Etrangers, a cavernous building which now acts as a cultural centre for foreigners and once housed the Air France terminal in Marseilles city centre.

"I'm of Algerian origin but I was born in France and my nationality is French. I don't really speak Arab. But although I'm French I feel I'm not physically integrated here."

Since the Right's victory in the general elections last month and more specifically the success of the extreme National Front, immigrant communities have become increasingly apprehensive. Anxieties are running particularly high in Marseilles which is home to one of the largest North African immigrant communities in France and whose city centre has been turned into what locals call "the biggest casbah on the Mediterranean."

About one in ten of the more than 1m inhabitants of the greater Marseilles area are immigrants. Of these, Algerians alone make up more than 40 per cent. The concentration of North Africans is even greater in the old centre of the city.

In the Belsunce quarter between the railway station and the picturesque old harbour, immigrants account for 42 per cent of the population. And at any given moment, there might be as many as 100,000 more Arabs passing through.

Inroads

Although Marseilles has traditionally been socialist—Mr Gaston Defferre its veteran mayor and the former Interior Minister has ruled over it for 33 years — the National Front has been making significant inroads in recent years, campaigning on the related themes of immigration and insecurity. In the last election, it won more than 22 per cent of the vote to become the second party in the city. It also gained four of its 35 National Assembly seats in the Bouche du Rhone department of Marseilles.

"The immigrant community has never been politically organised here. But since the election and the fears of what could happen, Arab communities are trying to regroup themselves and trying to stop quarrelling among themselves," said Ramzi Tadros, the librarian at the Maison des Etrangers and an active member of a local immigrant radio station called Radio Gazelle.

"The older generation of Arabs who came here to work in the construction industry are worried. Many say they want to go home. Some have already sent back some funds and other goods. But there are many young people who have a job or are looking for a job and want to stay here and find a way out of their difficult situation."

It was now crucial, he said, for those younger immigrants to become more conscious of the need to express themselves politically. "The new government has announced tougher laws to control immigration and they say they will expel people whose identity papers are not in order. There will be more checks. Foreigners will have to become prepared for this."

Mr Jean-Claude Gandin, leader of the centrist UDF group in the National Assembly and the main right-wing contender for the Marseilles town hall in 1989, agreed to forge a political alliance with the Front in the regional council, paving the way for a similar association eventually in the municipal council. At national level, however, the traditional right-wing parties have continued to emphasise that they would never agree to an association with the Front.

"In Marseilles, many people are not embarrassed to say they openly support the Front," said a long standing foreign resident. "Their candidates and local leaders on the whole are well established local figures with good middle class social credentials. You really can't accuse them all of being way out fascists or extremists."

Variety

Indeed the Front won votes from a variety of social classes —from the old Marseilles bourgeoisie to the *petit peuple* who had voted Communist, Socialist or neo-Gaullist in the past.

Its spectacular success boils down essentially to the immigrant invasion of the city centre. The real problem in Marseilles is not the ugly tower blocks in the northern quarter with 80 per cent or 90 per cent foreign tenants. Few people take much notice of what happens in these ghettoes which have become, in a sense, laws unto themselves (the Algerian or Tunisian consul has more influence in these areas than the French authorities). What the Marseillais object to is the fact they feel their city centre has been taken over.

The description of the old city centre as a huge Arab supermarket is not an exaggeration. "Marseilles has become a key commercial centre for North Africans. Tunisian girls come and buy their marriage trousseaus here. We estimate the business done here at around FFr 3.5bn (£326m) a year in turnover," said a member of the Marseilles employers' federation.

Until recently the Canebiere, the famous avenue which splits the old town, acted as a dividing line but Arab stores have now begun to move across into the smart shopping streets.

The city centre problems have provoked other issues which have fuelled racist feelings. The crime rate is high in Marheilles and this is inevitably blamed on the high concentration of immigrants. The immigrant population and their higher fertility rate have also had an impact on schooling. In turn, this has led to an exodus of local residents to new suburbs or nearby towns like Aix.

In an effort to improve the situation, Mr Defferre has brought all the outside Arab stalls and merchants into a former brewery near the station which now acts as a huge indoor souk. More police have been brought into the city centre and a building programme has been launched. Mr Defferre says a new development plan will be announced soon for the city centre.

Italian party chiefs agree on broad economic strategy

BY JAMES BUXTON IN ROME

LEADERS of the parties which make up Italy's ruling coalition have reached a set of agreements which ought to ensure that Mr Bettino Craxi, the Socialist Prime Minister, says in power at least until the end of this year. For the time being there is to be no cabinet reshuffle.

But an important by-product of settlement, achieved after talks which began nearly six weeks ago, should be change in the structure of Italy's private TV networks. These are dominated by Mr Silvio Berlusconi, an entrepreneur who is also involved in private TV in France.

Negotiations between the leaders of the five parties—the Christian Democrats, Socialists, Republicans, Social Democrats and Liberals—were aimed at relaunching Mr Craxi's government which took office in August 1983. After almost 1,000 days in power, it is showing signs of age, being easily the longest surviving government in modern Italian history.

Mr Ciriaco de Mita, the Christian Democrat leader, was unable to secure a commitment from Mr Craxi that he would step down from the Prime Ministership in the next few months and hand over to a Christian Democrat for the remaining period of the legislature, which officially runs until mid-1988.

The question of reshuffling the cabinet was shelved until after the Christian Democrat party congress at the end of May.

After this important event, which should reconfirm Mr De Mita's leadership but also make important changes in the party's internal balance of power, the whole question is likely to have to be reopened.

The coalition has committed itself to a broad economic strategy aimed at bringing the consumer price index down towards an annual rate of 5 per cent this year.

Spanish Communists unite to fight election

BY TOM BURNS IN MADRID

SPAIN'S ruling Socialist Party, which is seeking to renew its mandate in general elections on June 22, will face a determined challenge from the left following the announcement yesterday of an electoral coalition.

The coalition unites several parties that formed the anti-Nato platform in last month's referendum on Spain's membership of Nato.

The coalition, called Izquierda Unida (United Left) brings together the mainstream Communist Party and a rival pro-Soviet Communist group, created two years ago, as well as smaller, extra-parliamentary parties run by former communists, former Socialists, ecologists and pacifists who were active in the anti-Nato campaign.

Mr Gerardo Iglesias, secretary-general of the Communist Party, announced the formation of Izquierda Unida. He said he hoped to retain the support of nearly 7m Spaniards who voted against Nato in the referendum on March 12. The pro-Nato stance of Mr Felipe Gonzalez, Prime Minister, won the referendum.

Mr Iglesias had been in discussions with other left-of-socialist groups hoping to create an electoral alliance ever since last week when Mr Gonzalez announced the June 22 polling day.

Izquierda Unida considerably broadens the Communist Party appeal by bringing to a joint platform groups headed by personalities such as Mr Ignacio Gallego, a Spanish Civil War veteran and the leader of the Moscow-aligned Spanish Communists, and Professor Ramon Tamames, a well known economist who left the party because he believed it not to be sufficiently Euro-Communist.

Excluded from Izquierda Unida is Mr Santiago Carrillo, the former Communist leader who has had a succession of personality clashes with the mainstream party as well as with the Euro-Communist and pro-Soviet dissidents.

Mr Carrillo led the Communists in the 1982 elections when the party retained just four of its 23 seats in the 350-member Congress.

The programme drawn up by the new coalition seeks to attract voters disillusioned with the cautious, Social Democrat policies pursued by Mr Gonzalez's Government.

By establishing itself as the axis of Izquierda Unida, the Communist Party is following the example of the Portuguese Communist Party which has also experimented with broad-based left-wing coalitions.

The development marks the first time that the Communist Party will go to the polls in Spain as part of an electoral alliance.

The first opinion poll on the forthcoming elections, published yesterday by the news magazine Cambio 16, indicated that the Socialists would comfortably regain a ruling majority.

The Socialists were backed by 44 per cent of the 1,200 Spaniards surveyed, and 27 per cent said they would vote for the conservative opposition, Coalicion Popular.

Dutch bank head urges action on budget

By Laura Raun in Amsterdam

MR Wim Duisenberg, Dutch Central Bank president, has warned that greater efforts must be made to cut the Netherlands' Government budget deficit or else the state debt will threaten to overwhelm public finances.

Mr Duisenberg argued in the Nederlandsche Bank annual report released yesterday that austerity policies would have to be intensified in coming years because of plunging state revenue from natural gas and past reductions of taxes and social security premiums. The plea follows similar recommendations last week by the Organisation for Economic Co-operation and Development.

The president also explained that the Dutch guilder's current weakness within the European Monetary System (EMS) prevented further reductions in official Dutch interest rates in the near future. Mr Duisenberg predicted it could take several months before the guilder and D-mark resumed their normally strong positions in the EMS following their recent revaluations.

He also told Dutch radio that he believed Fl 14bn (£3.6bn) of budget cuts ought to be made next year instead of the Fl 9bn agreed by the cabinet. therwise the deficit as a percentage of net national income (NNI) would spurt to 10 per cent from 8 per cent this year because of drastically lower gas revenue.

"The problems facing us are so grave and the economising efforts already made have been so drastic that increases in taxes and social insurance contributions are no longer ruled out," Mr Duisenberg said in the report. In considering whether to raise taxes for private individuals or businesses, the burden "must not be shifted too lightly to industry, which competes directly with the countries around us where this budgetary complication (lower gas income) does not arise."

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Sweden protests to Moscow over lack of warning

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SOVIET UNION has asked the Swedish nuclear authorities for help in dealing with the serious accident at the giant Chernobyl nuclear plant north of View. A similar request was made to the West German Government through the Soviet embassy in Bonn.

The level of radioactive fall out over Sweden and other parts of Scandinavia began to abate yesterday and a change in thet wind direction means radioactive discharges are blowing towards the Black Sea.

The Swedish Government complained yesterday to Moscow about the lack of warning from the Soviet authorities about the accident and has put a series of questions to the Soviet Foreign Ministry seeking more information. The Finnish Government, however, decided yesterday not to ask for an official explanation.

In Copenhagen, Mr Poul Schlueter, the Danish Prime Minister, criticised the Soviet delay in releasing information and said that Denmark, which has no nuclear power stations, is to seek a treaty with neighbouring states to govern rapid access to information in the case of nuclear accidents.

Sweden's National Institute for Radiation Protection said about 80 per cent of the radioactive material that had fallen on Sweden should be dispersed within a week. The rest would remain much longer and is expected to drain through water courses into rivers and lakes.

In northern Sweden in areas where fresh rain or snow has fallen in the past 24 hours tests have shown levels of radioactivity at least ten times above normal.

The Institute said that the general levels of radioactivity were still so low that no special protection measures by individuals were needed.

In its search for international help to deal with the accident the Soviet Union yesterday had contact with the Swedish Nuclear Inspectorate. Mr Frigyes Reisch, an official there, said: "They wanted to know how to approach the problem, that is to say how to put out the fire."

Mr Reisch said that it was clear that the graphite moderator of the reactor was burning and that there had been a partial or total meltdown.

Mrs Birgitta Dahl, Swedish Energy and Environment Minister, said that Sweden had pressed the Soviet Union on repeated occasions to tighten safety at its nuclear plants, but without success.

A Danish articulated truck that arrived by ferry from Poland in southern Sweden yesterday having travelled through the Kiev region yesterday showed levels of radioactivity some 50 times higher than normal.

Rupert Cornwell adds from Bonn: West Germany yesterday offered the Soviet Union all its available help and expertise. The Soviet embassy has requested the assistance of both the Government and the Deutsche Atomforum, the country's nuclear organisation.

Dr Thomas Roser, Atomforum director, said last night there was no precedent for dealing with a meltdown of the graphite core of the Soviet reactor. Once the graphite is on fire, experts say, it can only be put out by sealing it off from air. Otherwise a radioactivity-generating chain reaction would continue.

The authorities here emphasised yesterday that the radiation leak from Chernobyl as yet posed no danger to West Germany. In the extreme northeast of the country, most exposed to the threat, levels of radiation were two to three times normal, according to a spokesman.

Mr Heinz Riesenhuber, the Technology Minister, declared that a similar accident would be impossible in West Germany, where nuclear power meets 35 per cent of energy requirements.

Leslie Colitt adds from Berlin: Eastern Europe's ambitious nuclear energy programme, which is largely dependent on Soviet-designed reactors, has been badly shaken by the disaster.

In Warsaw, Mr Jerzy Urban, the government spokesman, confirmed that a radioactive cloud has passed over the northast of the country but refused details of either when the Poles had first monitored the increased radiation or when, if at all, they had been warned by their Soviet neighbours.

East Germany said there was no danger to the population from the Soviet mishap, although it provided no details on radiation levels.

Thatcher says UK is in no danger

By Fiona Thompson

BRITISH MPs were yesterday assured by the Prime Minister, Mrs Margaret Thatcher, that the disaster presented no danger to the UK. However, 100 British students were in the immediate area likely to be affected by the accident, 70 in Kiev and 30 in Minsk, the Foreign Office said.

The British Embassy in Moscow spoke to representatives of both groups of students yesterday afternoon, according to the British Council, which looks after students on cultural exchange programmes in the Soviet Union.

All the students were well and there were no immediate plans for evacuation, said the Council's cultural attache in Moscow. No Western embassy in the capital had plans to evacuate personnel either, he said.

Mrs Thatcher told the House of Commons that no increase in radioactivity in Britain had been detected by preliminary measurements. Intensive monitoring of radioactive levels was continuing. There were demands from MPs on all sides for a full report from the Soviet Union.

Mr Kenneth Baker, the Environment Secretary, said Britain had not been asked for help but "if we do get a request for assistance of a scientific nature it will be made available."

Mr Paul Johns, chairman of the Campaign for Nuclear Disarmament, warned that the disaster was the sort of accident that could happen at any nuclear power station in Britain. "May this tragedy be the final nail in the nuclear power coffin," he said.

US offers medical and scientific assistance

BY REGINALD DALE IN BALI

THE UNITED STATES is ready to offer the Soviet Union its advice and expertise to help cope with the aftermath of the nuclear accident, according to White House officials accompanying President Ronald Reagan on his tour of the Pacific yesterday.

Mr Donald Regan, the White House Chief of Staff said: "We have a lot of experience in how we can handle these things, both medically and scientifically."

Nancy Dunn adds from Washington: The US yesterday formally expressed regret for the accident and offered humanitarian and technical assistance. Meanwhile the US embassy in Moscow has been in contact with Americans living or working in the affected area.

Nuclear industry officials attempted to play down the danger from fallout and worried about the future of US nuclear exports. Dr Frank von Hippel, a physicist and professor at Princeton, said he had been trying frantically to reach the Soviet Union with a suggestion that potassium iodide pills, remaining from the US Five Mile Island accident, be distributed to protect the thyroids of anyone within 200 km of the accident.

N-programme in France unaffected

By David Marsh in Paris

THE ACCIDENT is unlikely to have any impact on France's ambitious nuclear power programme, which accounts for 65 per cent of the country's electricity production.

A spokesman for Electricite de France, which has more experience of nuclear plants than any international electricity utility, pointed out yesterday that safety precautions at French nuclear plants were considerably greater than in the Soviet Union.

France has 51 nuclear plants in service, of which 44 are pressurised water reactors. Although four older French plants are moderated with graphite like the Chernobyl reactor, this water-cooled reactor type is unique to the Soviet Union.

The EdF spokesman said that nuclear accidents "can never be excluded." But he pointed out that releases of radioactivity from the reactor core caused by breakdowns in the cooling system would, in French plants, be most likely confined within their protective concrete dome.

David Buchan recalls lessons of the Three Mile Island accident

When information sows confusion

THE LIMITED Soviet information about the Chernobyl nuclear accident, after the belated Tass acknowledgement of Scandinavian reports that something nuclear had indeed gone very wrong in the Ukraine, may be stirring justifiable international criticism. But, as events seven years ago at Three Mile Island in the US showed, totally open publicity of a nuclear accident can sow extreme confusion.

The mistakes made by the operators of the plant in eastern Pennsylvania happened in short and sharp sequence in the early hours of Wednesday, March 29, 1979. Put simply, pumps to inject extra cooling water into the reactor were turned off or blocked, while valves let contaminated water out of the reactor and into the outer containment shell.

As the water level fell, the upper ends of the fuel rods were exposed to scorching steam, dissolved and scattered uranium oxide pellets around the reactor.

So much for the main facts established in cold, clear hindsight. But from the Wednesday until the following Sunday an extraordinary mixture of confusion, panic and cynicism set in.

Panic, because a public, sensitised in a very populist manner to nuclear accidents by the very recent release of the China Syndrome film, could hardly have failed to be alarmed by some of the more lurid media headlines reflecting statements by some of the jumpier nuclear industry officials. One character in the film had, as it happened, illustrated the effect of a reactor core meltdown by saying it could devastate "an area the size of Pennsylvania."

Confusion, because so many different spokesmen—the plant operator, the plant owner, the US Nuclear Regulatory Commission (NRC), the Pennsylvania state authorities—said so many different things. Press conferences at nearby Middletown were chaos. Journalists put questions in half-digested nuclear jargon and got technical answers which were largely incomprehensible to them.

Cynicism, because of the euphemisms used. The classic was the description by the company president of the reactor core being subjected to "severe undercooling." Eventually, one official, Mr Harold Denton of the NRC, came to dominate the proceedings. For a nation anxious for reassurance, the calm and collected Mr Denton became a folk-hero. Girls wore T-shirts saying "Harold Denton can fix my reactor any time."

In the end, though the accident was the most serious ever to hit the US nuclear industry, no one was directly hurt and there was no meltdown. A few hundred local inhabitants decamped to temporary refuge at the sports centre of the Hershey chocolate company, which for a time was concerned about using local milk in its product. The long term consequences of the escape radiation may yet prove serious.

Ukraine region vital to Soviet economy

BY DAVID BUCHAN

THE UKRAINE, in which the Chernobyl nuclear accident occurred, is a densely-populated industrial and agricultural region, acounting for about one-quarter of Soivet production of milk, which is highly vulnerable to radiation contamination.

The prevailing north-west winds in the immediate aftermath of the accident may have carried the radiation cloud away from Kiev, the republic's capital and biggest city of more than 2m people, 40 miles to the south of Chernobyl.

But in the longer term, areas to the south may be at risk. Most of the rivers, notably the 748-mile Dnepr, drain into the Azov-Black Sea basin.

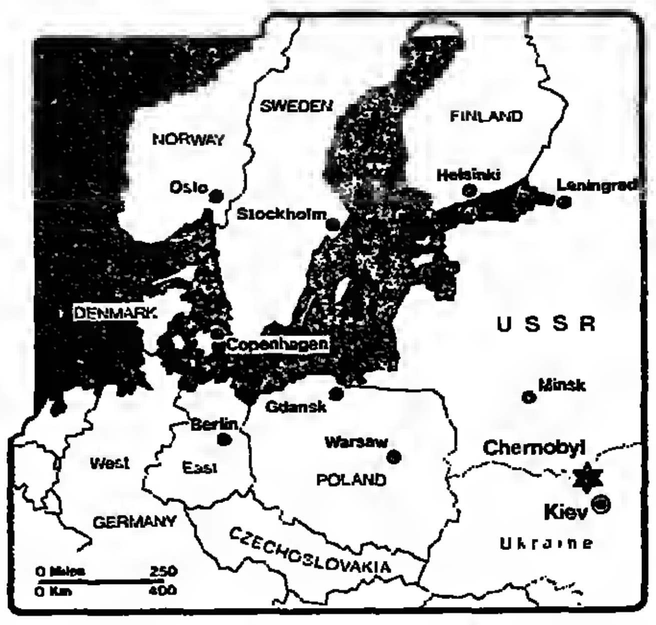
The 51m Ukrainian,s who are about 18 per cent of the total Soviet population, live at an average density of 210 per square mile.

Fortunately, the heaviest population concentrations are in the heavily industrialised Donets Basin and the Dnepr lowlands to the south and east.

The erpublic, second in economic importance only to the Russian Federated Republic, produces about 40 per cent of Soviet steel, a high percentage of chemicals, machine tools and manufactured goods. These include Antonov military and civil aircarft at Kiev, tractors at Kharkov, passenger bueses at Lvov, and about a quarter of total Soviet grain.

Food processing industries are among the most developed in the Soviet Union, and since 1984 have led the way in economic management reforms.

The Ukraine is also a centre for wine-making and distilling, but most of the vines and fruits are grown in the south, around the Crimea. Because the main entry port for Cuban sugar is Odessa, the Ukraine refines 60 per cent of Soviet sugar.



Kiev, the nearest large conurbation to the nuclear accident site, regularly attracts Western businessmen and tourists. It has become a high-tech centre, with such concerns as the E. O. Paton Electric Welding Institute selling metallurgial and welding licences to many Western companies.

IAEA willing to give help

By Patrick Blum in Vienna

THE International Atomic Energy Agency (IAEA) said yesterday it would be willing to provide assistance on request from the Soviet Union following this weekend's nuclear accident.

The Vienna-based agency was informed on Monday night but was given no details of the scale or time of the accident at the Chernobyl nuclear plant north of Kiev, a spokesman said.

Information suggested it was a "very bad accident." It was likely to have caused "irreparable damage to the plant"

The IAEA was established in 1957 by the United Nations to help to promote the peaceful use of nuclear energy. It has no policing functions and provides advice and assistance only on request.

Although it can recommend safety procedures—it usually asks governments embarking on a nuclear programme to set up a regulatory authority—the choice of safety procedures is up to individual governments.

Last year, the Soviet Union signed a safeguard agreement with the IAEA which allowed international inspection of some of its nuclear facilities for the first time.

The safeguard aims to ensure that nuclear materials and equipment intended for peaceful use are not diverted to military purposes. The agreement, however, does not cover safety.

Moscow's decision followed similar moves by the US, Britain and France. Countries which have a nuclear military capacity are not bound to allow IAEA inspection.

Britain has listed all its nuclear utilities for inspection, while the US and France permit only some to be visited. The Soviet Union has given a list of five

People Express adds frills to its flights

By William Hall in New York

PEOPLE EXPRESS, the rapidly growing US airline which made its name by offering cheap no-frills flights, is now adding a few frills in a bid to stem mounting losses after a savage airline price war which pitted cutprice carriers against the airline establishment.

The New Jersey-based carrier plans to offer a first class service on its regular domestic routes and a frequent-flyer incentive programme in a bid to win a share of the lucrative business travellers market. It is also planning to offer customers travelling first class free drinks, free luggage check-in and other perks.

While these additions do not sound revolutionary, they mark a significant change in style for People Express which until recently prided itself on offering the same cheap fares across the board. Other airlines have gone in for complex advance booking programmes to attract customers, with the result that the same airline can often offer at least four different fares on the same route.

People Express, the fifth biggest US airline, had scorned this approach, but over the last few months it was being undercut by other carriers worried about the inroads it was making into their respective markets. Lately, Express has offered still cheaper fares on some but not all of its flights.

Mr David Sylvester, an airline analyst for Montgomery Securities, says that People Express's decision to add some frills to its service probably marks the end of an era when low-cost airlines seemed poised to force the large trunk airlines to adapt to their strategy.

US economic index rises by 0.5%

BY STEWART FLEMING IN WASHINGTON

THE US index of leading economic indicators rose a modest 0.5 per cent last month, reflecting what Commerce Department Secretary Mr Malcolm Baldrige described as "some soft spots in the economy."

The increase in the index, which is designed to predict economic activity in the months ahead, was welcomed by some private economists as evidence that growth will pick up later in the year. But others continue to worry that the initial adverse impact of falling oil prices on some sectors of the economy and regions of the US, coupled with signs of retrenchment in consumer spending on durable goods, will hold output back in this quarter.

One sector of the economy which seems to be responding vigorously to lower interest rates is the housing sector. Housebuilding has been contributing significantly to economic growth and yesterday the Commerce Department reported that sales of single family homes soared 27.4 per cent in March, the biggest percentages gain on record and the highest seasonally adjusted rate of sales since the statistics have been compiled.

A breakdown of the components of the leading indicators index, which has now risen for nine of the past 10 months, underlines the continuing problems of the manufacturing sector. New orders for consumer goods and materials and orders for plant and equipment were among the largest negative influences on the index. The major positive contributors were rising stock prices and money supply.

Most economists feel that although the annual real rate of growth of the economy in the first quarter picked up to 3.2 per cent in the first quarter, this overstated the underlying forward momentum.

Today, with the House ways and means committee in the midst of preparing trade legislation, the Commerce Department is due to report the merchandise trade data for March.

Change in UN finance proposed

BY OUR UNITED NATIONS CORRESPONDENT

UNITED NATIONS Secretary General Mr Perez de Cuellar is to propose a change in UN financing which would greatly increase the contributions of Britain, France and China and reduce that of the US, and possibly of the Soviet Union.

Officials said Mr Perez de Cuellar ould discuss the proposals with Mrs Margaret Thatcher during his schedule visit to Loodon next month and with the Chinese leadership in Peking later this year.

Mr Perez deCuellar told the general assembly emergency session called to deal with the matter that the UN was facing a financial crisis which threatened the viability of theorganisation.

He made no proposals in his address, but in response to correspondents' questions he indicated support for a US proposal that its assessed share of the UN budget be reduced from 25 per cent to 20 per cent "or even 15 per cent."

Given their "situation of privilege in this house," be said, the five permanent members of the Security Council were duty bound to pay more than others.

Their current assessments, based essentially on gross national product, for the $830m (£535m) regular UN budget are: China 0.79 per cent, Britain 4.86, France 6.37, Soviet Union 10.2 and the US 25 per cent.

In his remarks, Mr Perez de Cuellar offered indirect criticism of Washington, which has exacerbated the financial crisis by delaying or cancelling payments of more than $253m.

Oil price drop 'will boost' US employment

AN estimated 500,000 people who would have settled in oil-producing states will migrate to other regions of the US because of the recent drop in oil prices, according to a report by Data Resources Inc (DRI).

However, the report cocludes that the overall impact of lower oil prices will boost US employment and estimates that if the oil price was to stabilise at $10 (£6.45) per barrel for the next four years it would create 1.3m extra jobs in the US economy.

California will gain nearly 20,000 new jobs for every $1 drop in the price of a barrel of oil, Michigan will add nearly 11,000 new jobs and New York and Ohio will each add close to 10,000 jobs, according to the report, The Return to Cheap Oil: Whose Gain, Whose Loss?, published by the Massachusetts economic research company owned by McGraw-Hill.

"For the first time in two decades, both the 'frost belt' and the farm belt have a reason to be upbeat," says Mr Donald Wall, the chief economist of DRI's regional information service. "Lower oil prices are a boon to traditional smokestack industries and a relief on the cost side for beleaguered farmers," Mr Wall says.

Economist Raul Prebisch dies

ARGENTINE economist Mr Raul Prebisch, whose work in the field of development took him to the top of two United Nations agencies, died yesterday at the age of 85, Reuter reports from Santiago.

A special adviser to the UN Secretary General and to President Raul Alfonsin in Argentina, Mr Prebisch attended last week's annual assembly of the UN Economic Commission for Latin America (Ecla) in Mexico City.

He was one of the founders of Ecla

Bomb explodes near home of US ambassador to Chile

BY MARY HELEN SPOONER IN SANTIAGO

A BOMB exploded yesterday near the Santiago residence of Mr Harry Barnes, the US ambassador to Chile, shattering nearby windows but causing no injuries.

In a separate incident, four army officers were wounded when shots were fired from a passing car outside an apartment block used by military officers and their families.

NO 16—8/83

On Monday, a policeman was killed and two others injured during a clash with armed left-wing guerrillas, Chilean police reported. The policeman was the third killed this year in terrorist attacks.

The two-day spate of terrorist attacks comes at a time of increasing political tension in Chile as trade unionists opposed to General Augusto Pinochet's regime prepare for Labour Day celebrations tomorrow and students and professional organisations stage anti-government protests.

Trial breathes life into moral renewal in Mexico

Left: Durazo, childhood friend of former Mexico president Portillo,

THE COMIC-BOOK version of one of the biggest publishing successes in Mexican history, "El Negro del Negro Durazo," has on its inside cover a diagram of a labyrinth. Across it a stern, bespectacled Mr Francisco Rojas, Mexico's comptroller-general, stares at Mr Arturo "El Negro" Durazo, Mexico City's former police chief.

This month Mr Rojas and his colleagues finally got through the maze, winning a two-year long battle to get Mr Durazo extradited from the US. The former police chief is one of the prime exemplars of the multi-billion dollar corruptions that prevailed during the 1976-82 term of Mr Lopez Portillo, which was fuelled by the oil and credit boom of those years, and which his successor, President Miguel De La Madrid has pledged to eradicate.

The return of Mr Durazo to stand trial in Mexico, some officials argue, has breathed new life into the flagging "moral renewal" campaign which was the central plank of Mr De La Madrid's election platform.

Mr Durazo is the second close associate of the former president to be brought to book. Mr Jorge Diaz Serrano, the former head of Pemex, the state oil monopoly, is still in jail awaiting trial for embezzlement.

The Durazo case has revived the debate on corruption and accountability, and bas turned up the spotlight on the extraordinary venality and vulgarity the Mexican political establishment fostered in its midst.

The supporting cast of characters in the Durazo drama inevitably features prominent members of this establishment, including Mr Lopez Portillo and his family; his predecessor, President Luis Echeverria; Mr Carlos Hank Gonzalez, the former mayor of Mexico City; and numerous former and current senior officials.

Mr Durazo was a childhood friend of former presidents Echeverria and Lopez Portillo. The former gave him command of the airport police—with the contraband opportunities this afforded—while the latter promoted him from his personal security chief to chief of police, and eventually a full army general.

But before Mr Durazo's promotion, both former presidents were informed by the US Drugs Enforcement Administration that a Miami grand jury had admitted five charges of cocaine trafficking against their friend. The appointment, nonetheless, went ahead, and Mr Durazo quickly slotted his cronies into the key and most lucrative positions in the police force.

Mr Durazo even commissioned the building of a breathtaking imitation of the Parthenon at the Pacific resort village of Zihuatanejo, and a 20,000 acre complex of mansions outside Mexico City.

The latter exceeds in extravagance the four-mansion estate the Lopez Portillo family built itself, and includes a replica of the studio 54 discotheque in New York, estimated to have cost $4m. The police chief's salary at the time was some $17,000 a year.

The De La Madrid Government opened the complex to the public, giving it a brief vogue as a "museum of corruption." It also took over another monument to the Lopez Portillo era, a glistening but empty multi-million dollar shopping mall which is now the headquarters of Mr Rojas' comptroller-general's office, the corruption watchdog.

David Gardner describes a big step forward in the de la Madrid Government's fight against corruption

Few would deny that this offices's efforts have reduced corruption substantially. The post-1982 financial crisis has also helped. There is simply less cash available for what the old penal code quaintly described as "inexplicable enrichment."

The basic strategy has been to reduce the opportunities for graft and put in place the legal means to punish it. External and discretionary audits have been introduced, along with concepts like conflict of interest and nepotism.

The Geneva-based trade control and inspection company, Societe Generale de Surveillance, has been contracted to supervise public sector imports and exports. At a more symbolic level, Mr De La Madrid and his officials ostentatiously pay their income tax and register personal wealth each year.

But the lynchpin of what one commentator this month called the "cleptocracy," was Mr Lopez Portillo.

It is unthinkable that Mr De La Madrid could proced against Mr Lopez Portillo without undermining the foundations of the regime, although only such extreme action would convince Mexicans that moral renewal is for real.

President de La Madrid, in an interview last year, stated that his predecessor had been investigated by the attorney general but that insufficient evidence had been found to charge him. Mr Rojas more recently stated that moral renewal would continue, and that there were no "untouchable" figures.

Mr Lopez Portillo broke his silence only last week. He was stung to reaction following further allegations of corruption by, of all sources, Mr Jose Simon Azcona, the president of neighbouring Honduras. In an open letter to Excelsior, Mexico's leading newspaper, he denounced the Honduran leader as being either "badly informed or a liar."

"For political discipline," he said, he had put up with the "lies and calumnies" of the US press and, inside Mexico, professional slanderers and political enemies "and even professional agents of destabilisation."

The main obstacle to checking corruption and the abuse of power in Mexico is that the discredit of the ruling Institutional Revolutionary Party (PRI) regime, 57 years in power, has come to a head at the same time that its political vitality has been sapped. The single main reason why the PRI has run out of steam is that it has, over the past two decades, gradually been by-passed by the federal bureaucracy as the route to power.

From this weak position, the regime is badly placed to move against the vested interests it has built up. It has backed off from the notoriously corrupt, boss-style leaderships of the teachers' and oil-workers' unions.

The 800,000-strong teachers' union, the largest in Latin America, provides *the sort of* geographical spread the PRI has lost. The oil workers' union is almost certainly the richest in Latin America and it plays an increasingly important role in the thinning ranks of the main *pro-Government* union federation, the CTM which, since the crisis, has managed to deliver industrial peace and massive real wage cuts.

Though the Government took away the union's right to sub-contract up to 40 per cent of state oil contracts in 1984, it has backtracked ever since, persuading itself that confrontation would stop the vital oil flow.

Legal Notices

PROVISIONAL GRANT OF A NEW JUSTICES LICENCE

TO: The Clerk of the Licensing Justices for the licensing district of the City of London
TO: The Commissioner of Police for the City of London
TO: The Town Clerk of the City of London
TO: The Fire Officer, London Fire Brigade

I, David Richard Llangley Cleave now residing at 101 Bolingbroke Grove, London, SW11, having during the past six months carried on the trade or calling of Company Director being a person interested in the premises described below do hereby give notice that it is my intention to apply at the transfer sessions for the said licensing district of the City of London to be held at the Guildhall Justice Room, 66/70 Basinghall Street, London EC2V 5DA, on the 19th day of May 1986 next for the provisional grant to me of a Justices Licence authorising me to sell by retail intoxicating liquor of all descriptions for consumption on the premises about to be altered or extended for the purpose of being used as a house for the sale of intoxicating liquor situated at London House, 14 New London Street, London, EC3, and to be known by the sign of Fenchurch Colony of which premises City of London Real Property Company and London Wine Bars Limited are the owners.

AND it is my intention to apply to the Justices to insert in such Justices Licence the following conditions:

1. In the restaurant areas outlined in blue on the deposited plan intoxicating liquor shall not be sold or supplied on the premises otherwise than to persons taking table meals there and for consumption by such a person as an ancillary to his meal.
2. In the wine bar area outlined in green on the deposited plans the sale and consumption of intoxicating liquor shall be restricted to that of wine only.
3. Substantial food to be available at all times in the wine bar area outlined in green on the deposited plans.
4. No off-sales.
5. Notwithstanding conditions 1 and 2 above intoxicating liquor of all descriptions may be supplied to those attending a bona fide private function on the premises by invitation only, whether ancillary to a table meal or not.

GIVEN under our hand this 23rd day of April 1986.
DURRANT PIESSE,
Authorised agent.

Australian citizenship question for TV chief

Mr Robert Holmes à Court, chairman of Bell Resources, has been tuld by thn Australian Broadcasting Tribunal that his redio and television licences may be withdrawn unless be can show he is an Australian citizen, Reuter reports from Sydney. A foreign citizen, even a resident, is not allowed to own Australian commercial broadcasting licences.

The tribunal said that licence renewal bearings would be held in relation to four West Australian radio stations and that further hearings could be beld over two television stations. The tribunal said it told Mr Holmes à Court in a telex message that "unless you are able to demonstrate that you are an Australian citizen, the tribunal may not ho able to renew these licences."

Mr Holmes à Court was reported in a recent newspaper interview as saying bn was a British citizen. He was also reported to have said be was an Australian resident.

Emperor celebrates

Emperor Hirohito of Japan yesterday celehrsted the 60th anniversary of his reign with recollections of war and prayers for peace, AP reports from Tokyo. "Looking back... my beart is still pained wben I recall the sacrifices by the people during the war and I am again moved by the preciousness of peace," be told the 6,000 people who attended a ceremony at a Tokyo arena. He also greeted e record 63,000 wbn flocked to the Imperial Palace to observe his 85th birthday.

Earlier, a man was seriously injured when a bomb exploded in a park wbere radicals planned a rally.

US aid for Savimbi

Guerrilla leader Jonas Savimbi says US aid for rebels fighting Angola's Marxist Government has begun arriving and appears to be the start nf a major assistance programme, Reuter writes from Muubango in central Angola. He said that the Angolan Government, helped by Soviet and Cuban forces, was expected to launch a big offensive against his Unita movement next month.

Asked if more US aid will follow, he said: "I think the commitment I got from the (Reagan) Administration is that this is the beginning, not the end."

S. African violence

One man was killed, two injured, and a train aod beer hall damaged in Sonth Africa overnight, pollce told AP in Johannesburg. In Swaziland, all prisoners facing the death sentence have had their sentences commuted to life imprisonment to mark the coronation of King Mswati, reports Reuter.

China power cuts

China should reduce its nil exports because energy shortages were already leading to power cuts of up to three days a week in some areas, according to a report in the official newspaper China Daily quoted by Reuter in Peking.

The newspaper said China shnuld reduce exports because of low world prices and the need to generate domestic electricity. It also called for a quick rise in electricity prices and the floating of shares hy power supply organisations to raise money. The power shortage will worsen over the next five years, the paper said.

Thai trade hopes

Falling oil prices and abarply lower interest rates could give Thailand a current account surplus this year, the National Economic and Social Development Bosrd told Reuter in Bangkok. Officials said, however, that their optimism was based on the assumption that depressed prices for Thai tin and other commodity exports did not fall further. Thailand last year saw a 43.1bn baht (£1.08bn) current account deficit after a 49.5bn baht deficit in calendar 1984.

REAGAN RECEIVES A SUBDUED WELCOME IN BALI

Mr Reagan: eerie silence

Banning of journalists mars start of visit

By Our US Editor in Bali

THE US PRESIDENT, Mr Ronald Reagan, flew in to a muted welcome here last night, as the Indonesian Government harred three foreign correspondents—two Australians and an American—from covering his three-day visit.

The two correspondents representing the Australian Broadcasting Corporation, Mr Richsrd Palfreyman and Mr Jim Middleton, arrived on the White House press aircraft just minutes before Mr Reagan touched down in Air Force One, despite warnings that they would be refusec entry.

The Indonesian authorities have reacted harshly against Australian journalists and cancelled a ministerial visit to Australia, following a highly critical article in the Sydney Morning Herald earlier this month. It alleged that President Suharto, his relatives and business associates bad enricbed themselves through government contracts and favouritism — somewhat along the lines of the ousted Philippines regime of President Ferdinand Marcos.

The two Australians were taken hy Indonesian officials from the aircraft in a hlaze of US network television lights and told that they would be put on a flight to Tokyo. White House officials unsuccessfully argued that all the more than 200 journalists travelling with Mr Reagan should be admitted.

The incident, already a *cause célèbre* in Australia, was shown live on American morning TV news programmes, beightening the growing controversy in the US over Indonesian human rights deficiencies and denials of press freedoms.

US officials, who were hoping that the incident would not overshadow Mr Reagan's meeting with Mr Suharto here tomorrow, said that the Indonesian officials had carried out their tasks "firmly hut correctly."

An American reporter, Ms Barbara Crossette of the New York Times, was also ordered out of Bali and put on an aircraft to Jakarta. She too had earlier been warned that she would not be allowed to cover Mr Reagan's visit, for reasons that were not explained, hut had been led to believe that the han had heen lifted.

Mr Reagan, who had earlier received an enthusiastic welcome from a predominantly US military crowd on a brief stopover in Guam, was greeted in Bali by an eerie silence. There wure none of the usual crowds and hands at the airport, only a brief display of Balinese dancing. Outside, however, small crowds gathered in the dark along the route to his hotel.

In Guam—a tiny 212-square-mile US Pacific ontpost occupied largely by the military—a flower-bedecked Mr Reagan was serenaded by what waa described as the smallest band in the US Navy under grey windswept skies. The island, just to the west of the international date line 9,000 miles from Washington, is known in the US as the place "where America's day begins."

For the first time on his 13-day Pacific trip, Mr Reagan received e favourablu mention for his theme that "winds of freedom" are blowing around the world. "As ancient navigators of the Pacific we stand alreedy tu hoist our sails for you," said Mr Eddy Rayes, the territory's Lt Governor.

Row looms between US and Thailand

BY REGINALD DALE, US EDITOR, IN BALI

RELATIONS BETWEEN the US and its long-standing ally Thailand have suffered a severe blow with the implementation of an obscure piece of Washington legislation to help American rice farmers.

The Thai grievances are likely to surface et the meeting of Asean foreign ministers bere tomorrow et which President Ronald Reegan is tu put in an appearance as be slowly makes his way to Tokyo for the western economic summit from May 4 to 6.

The measure, which Thailand maintains is undercutting its position as a leading rice exporter, bas been described as a "betrayal" by Thai officials. It has provoked an emotional outcry in Thailand, where opposition politicians are now qnestioning the wisdom of potting too much feith in thn alliance with the US.

Thailand says that the livelihood of balf of its population is at stake, with potentially serious implications for the country's political stability.

Relations between Washington and Bangkok have been further npset by Theiland's surprise action in the United Nations Security Council last week, wben it voted in favour of a resolution condemning the US air strike against Libya.

The Thai vote nbliged the US, Britain and France to veto the resolution, whicb would have failed without Thai support.

While Bangkok has denied that the vote had anything to do with tbe rice dispute, US officials suspect s connection. Washington had hoped thet Thailand would at least abstein, and subsequently protested strongly at Bangkok's ection.

The support measure for America's 30,000 rice fsrmers went tbrougb in the 1985 US Farm Bill, despite, sdministration opposition, and came into effect three weeks ago. It allows the farmers to borrow from the Government against rice put in storage on extremely favourable terms, a scheme that Thailand regards as an unfair subsidy.

The effect has been to lower world rice prices and increase the competivity of US exports, which have dropped to about 17 per cent of the world market from 25 per cent in 1981. Thailand's sbare is 40 per cent representing about 15 per cent of the country's foreign exchange earnings. Thailand's earnings fell by about $100m last year because of lower rice prices.

Mr Reagan promised in an interview this week not to implement the policy in a "predatory" manner.

US nuclear carrier to traverse Suez Canal

By Tony Walker in Cairo

Egypt, tn a gesture that conid add further to tenslons with nelgbbouring Libya, has given special permission for the nuclear powered American aircraft carrier, Enterprise, to pass through the Suez Canal, strengthening the US task force in the Mediterranean.

The US has three carriers in the Mediterranean with a strike force of more than 200 warplanes. The 76,000-ton Enterprise jotns the Coral Sea and the America which were involved in action earlier this month against targets in Libya.

Egypt, which normally forbids the passage of nuclear powered ships through the canal, gave special permission for the Enterprise to pass from the Indian Ocean to the Mediterranean along the 160 km waterway. The last nuclear powered ship to traverse the canal was the US cruiser Arkansas in November 1984.

Meanwhile, Egypt at the weekend revealed that it bad rejected a secret Libyan demand for military assistance following the April 15 US raids on Tripoli and Benghazi.

Conflicting aims muddle agenda for Arab summit

BY RICHARD JOHNS IN FEZ

ARAB FOREIGN ministers are scheduled this evening to try to draw up an agenda for an extraordinary summit here in response to Libya's call for a top level discussion of the US air raids on Tripoli and Benghazi just over a fortnight ago.

Reflecting the clear difficulties of obtaining any conseosus in advance, officials in Rabat now say that anything resembling a summit is unlikely to take place now before Monday—a week after the date originally announced by the Moroccan Government. Some diplomets there still doubt whether one will be convened at all.

A muddied situation typical of convoluted Arab divisions has been further confused by a stetement by Mr Kamal Hassan al Mansour, Libyan Secreary General for Foreign Affairs, on Monday evening that any such meeting should be held in the aggrieved country itself — not in Tripoli or *Benghazi* but in a "village." He also suggested that Col Muammer Gadaffi would not necessarily attend one whatever the venue.

The central issue, however, is whether an agenda is limited merely to a condemnation nf the US — and possibly the UK as well for allowing the use of American bases in Britain — or broadened to include at least the Gulf conflict as well, as the conservative member states of the Arab League have insisted.

Syria has said that it will participate in the summit hut diplomatic reports from Damascus say that President Hafez al Assad seems adamant that the Iraq-Iran war should not be discussed. That is also the view of Libye and South Yemen, which heve also supported Iran in the coofiict. Algeria and Sudan also seemed determined to limit the agenda to the single topic of the US strike.

Another complication has arisen with the demand hy Mr Yassir Arafat, chairman of the Palestine Liberation Oragnisation, thet reported bilateral exchanges between Jordan and Israel should also be on the agenda. In addition Lebanon wants Israel'e cootinued control through proxy forces of en enclave on its southern border to be covered.

Western diplomats here assume that King Hassan of Morocco will not want a top-level meeting to take place unless there is a reasonable assurance that condemnation of the US action is not too strident in tone.

He cannot risk, they say, any further deterioration in his relations with the US which were badly strained by his accord with Col Gadaffi in August, 1984 on s "union" between Morocco and Libya. His main aim in cooclnding that bizarre agreement wss to end Tripoli's support for Polisario in tbe disputed Western Sahara—an objective successfully achieved.

The reaction of such states as Morocco, Seudi Arabia, Kuwait and Jordan to the American raid was inaudihle or deafening In its silence.

Fall in tourism, Page 6

Western countries have not made sufficient progress in tackling international terrorism since the last summit of their leaders in Bonn Mr Helmut Kohl, Chancellor of West Germany said in New Delhi last night, John Elliott reports.

"We shall bave to discuss these issues in Tokyo," he declared. Anthorities had started to eo-operate but they were being "too slow and not dynamic or stringent enough."

Arrangements for an extradition treaty between Germany and India, whieb wants to bring Sikb extremists living in Enrope back for trial, are belteved to bave been drawn np during Mr Kohl's two-day visit to New Delhi which ended last night.

Taiwan to boycott Asian Development Bank meeting

BY SAMUEL SENOREN IN MANILA

TAIWAN bas decided to boycott the 19th annnal meeting of the board of governors of the Asian Development Bank which starts today in Manila tn protest against the change of its namn from Repoblic of China tu Taipei, China.

A spokesman from the bank confirmed yesterday that Taiwan, e founding member, was not going to the meeting which is attended by some 1,200 delegates and observers from 47 member countries.

On the otber hand, China which became a member only last month was sending a full delegation led hy the governor of the People's Bank of Chins, Mrs Chen Muhua who holds the rank of vice premier.

China, which along with Spain is attending the meeting for the first time, is expected to become the third most dominant force in ADB after the US and Japan.

The three-day meeting which will be npened by Philippine President Corazon Aquino will assess the impact of China's membership, as well as the intention of India to start borrowing from the bank. India, the fourth largest equity holder, drew its first loan, of $100m, from ADB early this month.

There had been concern among less-developing member-countries that their access to ADB funds would be restricted if bigger members, such as China and India, start to borrow heavily.

The meeting is also to assess the likely impact of a new lending policy to take effect in July 1986 that would allow interest rates on loans to float every six months, based on the average cost of borrowings plus a spread for the bank.

Francis Ghiles explains why one ministry can expect to escape severe budget cuts

Algeria pushes on with water projects

ONE MINISTRY in Algiers can expect to escape the severe budget cuts which the sharp downturn in crude oil prices is forcing on the Government led by Mr Abdelhamid Brahimi.

The Ministere de l'Hydraulique has ambitious plans to expand the water industry. The original budget plan was for expenditure of Dinars 52bn (£6.9bn) over five years (1985-89). This is double the figure for 1980-84 but is likely to be trimmed.

The World Bank is supporting the three major projects, all of which have attracted bids from major international companies.

Between 1830, when France conquered Algiers, and 1970, six years after independence, 20 dams were built in the country. But none were built in the following decade, during which the late Houari Boumediene launched his ambitious industrialisation policies.

Expanding the water industry is central to the shift in economic and social policies governing farming and industry.

The farming policies of the 1960s and 1970s have been discarded, confiscated land for example is being returned to former owners or sold off, and as agriculture revives, the need for water increases.

The National Assembly in Algiers is expected to agree to the 18 per cent cut in the 1986 budget submitted to it last week by the Minister of Finance M. Abdel Aziz Khellef, Francis Ghiles reports.

Current expenditure would decline by 11 per cent to Dinars 39.5bn (£3.6bn) while investments would be trimmed by 26 per cent to Dinars 45bn.

State taxes derived from oil and natural gas exports are expected to decline by 40 per cent to Dinars 29bn — this sector accounts for 97 per cent of Algeria's overseas earnings.

Last year's small budget surplus will this year turn into a deficit of Dinars 14bn. Other austerity measures include a 75 per cent cut in foreign currency allowances for Algerians travelling abroad.

Ten dams have been commissioned since 1980, and studies for 13 more completed. They should more than double the volume of water held by dams to 5.5bn cubic metres.

Irrigation now offers farmers 800m cu metres of water and the authorities hope to double this figure by the mid-1990s.

The largest dam project covers the "Grand Alger" area around the capital, where more than 5m people live.

The initial study for this project was completed in 1983 by W. S. Atkins and Binney and Partners, of the UK.

The project includes two dams, many pumping stations, the renovation of 4,000 km of urban piping and construction of the first stage of a new sewage collection and treatment scheme.

The project will cost Dinars 2.1bn, half of which will be incurred in foreign currency and covered by two 15-year World Bank loans worth $290m and $82m respectively.

These funds have been lent for a 25-year period to recently set up water authorities which contrary to past practices, will be managed as commercial and financially self-supporting enterprises.

Water prices in Algeria, which were unchanged since 1962, have more than doubled over the past two years.

The overall contract for the project has gone to a group of Yugoslav companies known as Hydrotechnica and work has been in progress since November 1984.

The group is also helping with the training programme half of whose cost is being met by the World Bank. In addition a factory is being built which will produce cement tubes for the new piping.

The sewer project is expected to be completed next summer.

The inhabitants of Algiers have had to manage with running water for only a few hours a day, often during the night.

The 50-year-old piping was so coated with chalk deposits that the diameter had been reduced by four-fifths to only 30 millimetres.

The World Bank has also agreed to finance the foreign currency costs of two other major water projects to expand water in the metropolitan areas of Oran and Constantine, and loans worth $262m have been granted.

Unsatisfied demand for water represents 35 per cent of water production in Oran and 44 per cent in Constantine.

The projects will benefit 2.1m people, as well as many commercial and industrial developments.

Oran, in particular, boasts an increasing number of industries and its water supply has been severely hit by the growing requirements of the nearby oil and gas export base of Arzew.

The contract for the Oran project, whose foreign currency costs amount to $173m, went last autumn to Dragados y Construcciones, the Spanish group which is very active in Algeria, Zschokke of Switzerland. The Constantine project is due to be awarded soon.

State loans are being extended to farmers to enable them to sink wells, buy electric pumps, and build small earth-ware dams on the hillsides. But despite the efforts to improve the water industry its neglect in the two decades up to 1980 and the wasteful use of water resources by industry will continue to weigh on Algeria's economic development for many years.

Commission seeks to stem fall in tourism

By Quentin Peel in Brussels

THE European Commission has called for an emergency meeting of EEC Ministers of Tourism to discuss ways of combatting the fall in US visitors following the recent increase in concern over terrorism.

The decline in bookings and cancelled reservations has hit all the EEC member-states, particularly Mediterranean countries such as Italy and Greece, according to Commission officials.

Apart from the effect of terrorist incidents, and the latest conflict between the US and Libya, the fall in the value of the dollar has been a major contributing factor.

Mr Jacques Delors, the Commission President, and Mr Carlo Ripa di Meana, the Commissioner responsible for tourism, suggest that some form of joint information campaign might be launched to counter terrorist fear in the US.

Officials in Brussels say they also need to get more accurate figures for the extent of the loss in trade in the current year.

At the end of January, Mr Ripa di Meana said there had been a 30 per cent drop in US visitors to Greece in the second half of 1985, a loss of more than $100m (£66m) following an attack at Athens airport. He said Italian operators were expecting a 50 per cent drop following the airport attack in Rome in December.

The call for the meeting was made in a letter delivered yesterday to Mr Hans van den Broek, the Dutch Foreign Minister and current chairman of the EEC Council of Ministers.

'Time is running out' in US-EEC farm trade row

BY PAUL CHEESERIGHT IN BRUSSELS

EFFORTS to bridge the farm trade rift between the European Community and the US move into a new phase in Friday with the start of talks at the General Agreement on Tariffs and Trade.

But the talks start against the background of a warning, delivered yesterday in a television interview, from Mr Richard Lyng, the US Secretary of Agriculture, that time is running out.

On July 1, the Reagan Administration plans to take the first step towards the restriction of EEC sales unless compensation can be agreed for what the US sees as lost trade through the switch by Spain to new levy system on corn and sorghum.

"I'm hopeful but there is very little time. There is some question whether the talks can be completed by July 1," Mr Lyng said.

Both sides are claiming justice is on their side in the shape of adherence to Gatt rules. So any move by the US will prompt retaliation by the Community. Both sides have lists already drawn up.

While the Community claims that it is ready to grant compensation to its trading partners for any advantages lost by Spain and Portugal joining the Ten, it wants all talks on a global basis. But the US wants them done sector-by-sector.

Mr Lyng said the US would lose $1bn (£666m) of farm trade.

Although the effects of Spain joining remain the subject of sharp contention, it is now clear that questions arising from Portugal's membership can be resolved.

The US has threatened restrictions after May 1 because Portugal is placing temporary quotas on soya beans and 15 per cent of its grain market is being reserved to Community suppliers.

If the Portuguese quotas "do not have any deleterious effects at this point," Mr Lyng said, then the US will arrange its quotas so Community trade is not affected. "I suppose you could call it symbolic," he added.

West warned on telecom curbs

BY CHRISTOPHER BOBINSKI IN WARSAW

MOUNTING Western restrictions on sales of electronic components to Eastern Europe could lead to a permanent gulf between the two blocs, according to Mr Jen Kolodziejczak, managing director of Telkom Peletra, Comecon's only producer of electronic telephone exchanges.

"Economic co-operation in the future may become impossible because we'll both go our separate ways," Mr Kolodziejczak said.

He reported that his Poznan-based company was increasingly experiencing difficulties in procuring components from Western suppliers.

"My designers are afraid to put available Western parts into new equipment because they might soon appear on the West's restricted list," he said.

Suppliers from West Germany, the UK and France were afraid of US strictures should they supply technology to the East.

Telkom's exchanges are built according to technology supplied by the French Alcatel electronics group.

Recently Mr Kolodziejczak, who is a Communist Party central committee member and actively supports Poland's decentralising economic reform, led a delegation to Alcatel for talks.

Poland's joint-venture law passed last week could provide a vehicle for future co-operation with Alcatel and provide the French group with an opening to the Comecon market.

US steamship group ends Pacific container run

BY ANDREW FISHER, SHIPPING CORRESPONDENT

LYKES BROTHERS Steamship of the US is ending its regular container service across the Pacific because of low freight rates and may sell the six ships now being built for it in Japan at a cost of $225m (£150m).

The move, several months after the withdrawal from the Pacific of Hapag-Lloyd of West Germany, comes as cargoes from Asia to the US are rising again. But rates have fallen sharply as a result of over-capacity.

Lykes, privately-owned, said carriers were losing money on the Pacific.

Lykes will switch the four container ships used on the Pacific route to its US Gulf-northern Europe service. It will continue its non-container service from the US Gulf and west coast to the Far East.

The company's last container ship from the US west coast to the Far East will sail on May 2.

Bonn to boost India aid

BY JOHN ELLIOTT IN NEW DELHI

WEST GERMANY intends to increase by 10 per cent its DM 360m (£240m)-a-year aid to India, Mr Helmut Kohl the West German Chancellor said in New Delhi yesterday.

The funds would partly be earmarked for contracts placed in West Germany for electric power and fertiliser plants and water installations.

In recent years, West Germany has maintained a constant level of annual aid for India while cutting back on its overall aid budget.

During Mr Kohl's visit, memoranda of understanding were signed on co-operation in the coal and lignite industries, oceanography, export promotion and other scientific and technical areas.

● India and the Soviet Union yesterday signed agreements in New Delhi to extend their co-operation in fields such as cars and motor components, chemical machinery and earthmoving equipment.

EEC calls for subsidised credits check

By Christian Tyler, Trade Editor

THE EEC has asked member-states to explain their use of subsidised export credits following a complaint that the UK had undermined an EEC agreement to phase out such subsidies for intra-Community trade.

After 1978, when the EEC agreement was made, Britain and others continued to subsidise export finance on goods routed back into the Community via a non-EEC member such as Switzerland.

But according to the ECGD and the Department of Trade and Industry, Britain at least stopped this practice of "dog-ledging" at the end of 1983. A reply to an EEC letter of inquiry several weeks ago has been made.

Mr Alan Clark, Minister of Trade, said in a parliamentary written answer on Friday that Britain no longer suported fixed-rate export finance where it was known that the final destination of the goods was another EEC country.

Britain stopped supporting "dogleg" deals around the time of an important change on the gentleman's agreement on subsidised export finance operated by the 24 OECD countries.

The Brussels inquiry and questions in the British Parliament appear to have been triggered off by complaints from a company called Ultraleisure, which in 1981 secured an export loan at 8.5 per cent for a paper subsidery it set up in Switzerland to do business in Denmark.

Peter Marsh on a range of new temperature-sensitive materials

Making a display when heat is on

WOULD you wear a tee-shirt which, initially blank, displays the message "I am the greatest" when you enter a warm room?

People with such leanings towards self-exhibitionism are being targeted by BDH, a chemicals company which has developed a new class of materials that change colour when exposed to heat.

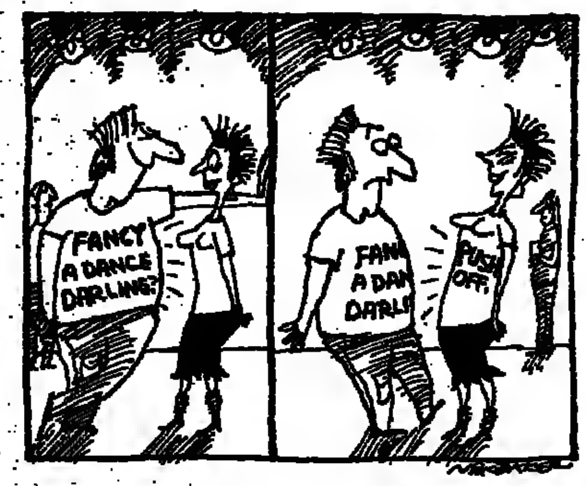
BDH, of Poole, Dorset, shot to prominence in the mid-1970s by selling a novel type of liquid crystal display for calculators. With annual sales of about £60m, the company is supplying its new heat-sensitive formulations to an unnamed maker of printing inks in Japan. The chemicals will be mixed into inks used to inscribe hidden messages on shirts.

Other products which could follow from application of these so-called photochromic chemicals—devised by BDH as part of extensive work into new materials—include paints which change colour as the temperature changes. BDH's innovative chemicals are based on mixtures of phneyl benzoate esters and are improved versions of older types of photochromic materials which have been available for some years.

Photochromic paints could coat the walls of discotheques or other buildings used for entertainment. When someone puts his or her hand against the wall, raising the temperature, the imprint of the hand is left on the surface. The materials could also be used in advertising.

A West German paints company, which BDH is also reluctant to name, has bought sample quantities of the chemicals for this application. The Poole company is owned by E. Merck, the West German chemicals company (not to be confused with Merck, Sharp and Dohme, a US-owned chemicals concern).

According to BDH, the company's photochromic materials could also be incorporated in ice-warning signs on motorways, in coatings for saucepans to indicate when the utensils are hot, and in scientific and medical instruments which require simple ways to measure temperature. Sales of photochromic materials could be worth £10m a year to BDH within a few



years, says Dr Michael Parsley, a marketing manager at the company.

Photochromic materials, which have been available for the past 15 years as by-products in standard chemical processes, are not in themselves new. But Dr Parsley says that BDH's materials are more sensitive and stable than the established type of photochromic chemicals, which are based on cholesteryl esters.

As a result, the phenyl benzoate esters could become accepted in a range of mature industries such as paints and printing. Applications of the older type of photochromic product have been limited, in contrast, mainly to low-value "gimmick" products, such as novelty thermometers.

The Poole company's photochromic products, which are mixtures of up to 10 different chemicals, can indicate temperature to within 0.5°C. Depending on the mixture, the substances can be made to change colour (say from red to blue) at virtually any temperature from −30°C to 120°C.

The chemicals are sold as microspheres, tiny balls of gelatin the size of dust particles with the photochromic substance, a liquid, packed inside. The microspheres are later mixed with other substances to form, say, an ink pigment.

The molecules in photochromic materials are arranged like the coils of a spring. As the substance is heated or cooled, the "coils" unwind or close up, altering the wavelength of the light which the chemical reflects and so making the material appear to change colour.

SHARPER IMAGE FOR LIQUID-CRYSTALS IS ON THE WAY

BDH hopes its photochromic products could be as big a success as the biphenyl-based liquid-crystals it came up with in the mid-1970s.

That work arose initially from research at the Defence Ministry's Royal Signals and Radar Establishment (RSRE) into novel crystals, used for instance in infrared optics and in electronic materials. BDH has worked jointly on new materials with the Malvern-based establishment since 1961.

BDH's biphenyl liquid crystals (the patents for which are owned by the defence ministry) are based on compounds the optical properties of which are changed by pulses of electric current. Small cells built from the crystals can be triggered by electric current to build up a pattern of light and dark areas on a display.

In the late 1970s, the Poole company accounted for about 60 per cent of the world market in liquid crystals, a figure now reduced to roughly 25 per cent. Hoffman La-Rouche in Switzerland and BDH's parent company in Germany are among the other major suppliers.

Although total world sales of liquid crystals are worth no more than about £10m a year, sales of display-based products which use the crystals add up to an industry 30 times bigger. The products include watches, calculators and displays for car dashboards.

Most of the companies which use liquid crystals are in the Far East. The main customers for BDH's liquid crystals include Sharp, Seiko and Hitachi of Japan, Varitronics of Hong Kong and PCI and Vikay of Singapore.

BDH is now working with the RSRE, Hull University and STC, the telecommunications company, on research to produce liquid-crystal displays for standard-sized TV sets.

This work uses special liquid crystals which switch on and off very rapidly, so matching the rate at which successive frames of a TV picture are transmitted.

The crystals are called smectic materials, the molecules of which are arranged in parallel planes. They are to be distinguished from the nematic (randomly distributed) crystals used in conventional liquid crystal displays.

On application of a current, smectic crystals switch from light to dark and back again much more rapidly, in microseconds rather than milliseconds, than the nematic form which work too slowly to be useful in large-area displays where a sharp image is required.

In other work in specialist chemicals, BDH is supplying Cornell University in New York with 12 tonnes of thallium-doped caesium iodide, worth about £5m. The material, produced in the form of rods the shape of large candles, is used for detecting atomic particles in nuclear-physics experiments.

Mr Rex Symons, BDH's managing director, says that work on novel chemicals account for "a small part of our turnover but a large share of our research and development." The lion's share of BDH's activities is in making and distributing several thousand types of standard analytical chemicals anything from sulphuric acid to highly complex organic compounds. These products are shipped to laboratories all over the world.

Research into the novel substances is important in keeping the company in the forefront of technical advances, according to Mr Symons, and it also pays off from time to time in producing highly profitable products such as liquid crystals.

Australia plans overseas optical fibre connection

OPTICAL FIBRE undersea cable networks are to link Australia and New Zealand with North America and Asia in a plan recently announced in Sydney that could involve expenditure of A$2bn.

The first phase of the project is a joint venture, by Australia's Overseas Telecommunications Commission and the New Zealand Post Office, in which the two countries will be linked by 57,000 digital telephone channels or their data equivalent. The existing copper cable has a capacity of 2,000 channels which is now almost full.

This second, 2,500-mile link across the Tasman Sea will eventually extend across the Pacific and will be the largest fibre optic submarine project planned so far. Tenders for cable and repeaters for Tasman Two will be requested later this year.

The first extension is likely to be laid north from New Zealand to Hawaii by the mid-1990s, to link up with a planned US-Japan cable.

RESEARCH ASSISTANCE for small- to medium-sized companies in the automotive-related industries is to be offered by the Motor Industry Research Association (MIRA) under an arrangement with the Department of Trade and Industry.

There are two stages of assistance. Initially, MIRA will arrange a free two-day consultancy study at an appropriate "centre of expertise" to explore viability. If the proposal appears exploitable and is not "re-inventing the wheel," further project assistance will be forthcoming. MIRA is in Nuneaton, Warwickshire, on 0203 348541.

POWERFUL CONTROLLERS for manufacturing cells in automated plants are being offered by Gould Electronics (0256 460466).

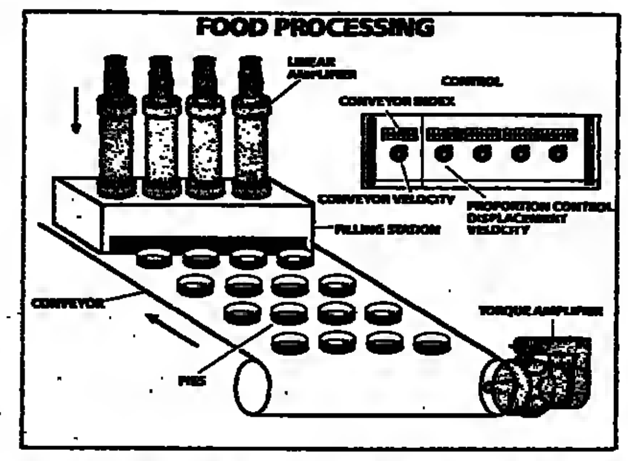
These use a number of microprocessors to combine the many functions of the conventional programmable controller with the speed and performance of a minicomputer. The devices are compatible with General Motors' manufacturing automation protocol (MAP), version 2.1. They can be used in factory automation applications requiring real-time monitoring and control of flexible manufacturing sytems.

WORTH WATCHING

Edited by Geoff Charlish

PIE FILLING and similar processes in the food industry can be carried out with significant savings in materials using electronically controlled hydraulic delivery systems from Sacol Powerline of Southampton, UK (0703 860101).

The "oily, greasy" image of hydraulics is fast vanishing with the new "clean" systems that have finely measured control of movement readily altered by microprocessor and computer control. Sacol claims that £10m wasted in overportioning of expensive food



ingredients could be saved in the UK industry alone.

The system uses a linear amplifier to convert power from a low power stepper motor into a high force linear motion. This gives precise control over velocity, position, acceleration and retardation of the portion displacement piston that "squirts" the fillings into the pies. Electronic control added to the power source gives instant push-button control of portioning to fine tolerances.

LAN CHIPS, dedicated communications integrated circuits for the Cambridge Fast Ring local area network (LAN), have passed preliminary tests in prototype form.

This is a recent outcome of the £2m Unison project established under the Alvey programme to investigate the interconnection and interworking of LAN-based office systems to allow voice, text, graphics, data and video to be exchanged by terminal users.

The collaborators are Acorn Computers, Logica, Cambridge University, Loughborough University and the Government's Rutherford Appleton Laboratory.

Much of the work is aimed at extending the integrated services digital network (ISDN, the European telephone authorities' next generation phone/data network), into office LANs. The collaborators are already running two megabit per second links between themselves.

PROCESS CONTROL system P4000, the 1978 "distributed intelligence" product from Kent Process Control, Luton, UK, has been updated and relaunched to take advantage of the latest "chip," communications, computing and display techniques.

Aimed at the oil, petrochemical, food, brewing and other continuous process industries, the system can monitor and control up to 4,000 complex plant items via 32 independent process and management microprocessors spread over distances up to 5 km.

An outcome of the use of modern electronics and quality software has been to lower the minimum cost of a system to £60,000.

A simpler fire-proof solution

FIRE PROOFING coatings applied easily using a spray and aimed at both onshore and offshore industries have been put on the market by Hempel's Marine Paints of London (01-404 0866).

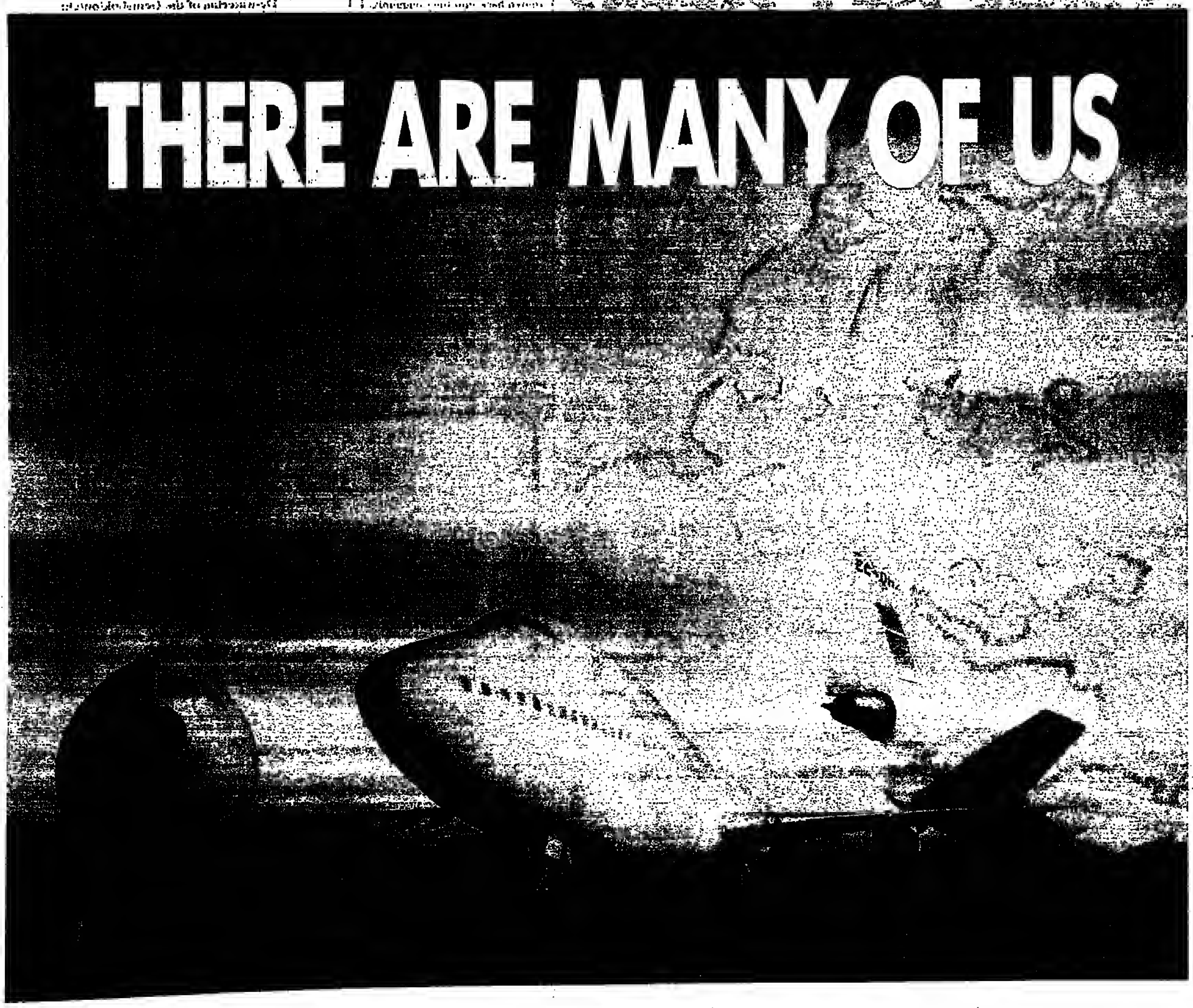
Known as Contra-Flam 3810, this cementitious fibre material will protect structural steel against weakening in the intense heat of hydrocarbon fires and remain intact during explosions. It has all the official certificates and approvals needed for the UK and Norwegian markets. The material is claimed to be 25 per cent tighter than comparable materials and can be applied to full thickness, without the need for costly and corrosion-prone retention meshes.

FREIGHTING INFORMATION is now available to anyone with a Prestel adaptor to a TV set or a computer with appropriate modem and communications pack.

The service, called Routel, means that UK exporters and distribution managers no longer have to thumb through pages of data in different trade directories but can instead bring up the information they want fairly quickly on the screen.

Publishers Maclean Hunter (01-434 2233) are offering the system, which presents a "best match" search facility for exporters and importers looking for transportation services.

RETAIL SYSTEMS worth £200,000 from ICL are going into the new Heathrow terminal four. Allders International, appointed to run the duty-free shops, will be able to offer customers such facilities as automatic currency conversion updated daily with current rates, price look-up and automatic cheque endorsing.



UK NEWS

Austin Rover forecasts higher European sales

BY JOHN GRIFFITHS

AUSTIN ROVER is strengthening its dealer network in West Germany and preparing to pay more than £2m extra in tariffs on exports to Spain as part of expectations that its European sales this year will increase by nearly 30 per cent, from just over 89,000 to 115,000.

BL's volume cars subsidiary could sell 40,000 cars a year in Spain and 10,000 a year in Portugal were it not for tariff and quota restrictions, according to Mr Jacques Muller, managing director of Austin Rover Iberica.

Despite the import constraints imposed by Spain under the terms of its accession to the EEC, Austin Rover will sell "at least 9,000" cars in Spain this year Mr Muller said.

It would also sell at least 6,500 units in Portugal. Last year, Austin Rover's Spanish sales totalled 4,300 units, while those in Portugal reached 5,500 units.

Under the transitional arrangements for Spain's EEC entry Austin Rover had a 15 per cent share of a Community import quota to Spain by which cars are allowed entry on payment of a 17 per cent tariff. Austin Rover's share for the current year is 4,800.

Above this, imports are subject to a tariff of 33.4 per cent. Spanish-built cars, including the Vauxhall Nova, enter the UK on a tariff of 3.4 per cent.

Sales will have reached 2,400 by the end of this month, Mr Muller said. Austin-Rover's 40 Spanish dealers would be able to sell 9,000–10,000 cars, although they have price premiums of up to 20 per cent above those of other manufacturers who have production bases in Spain.

Ford, General Motors, Peugeot and Renault are among Europe's volume producers who have Spanish plants, and can therefore largely escape the tariffs. Volkswagen/Audi recently acquired Seat, the Spanish volume cars producer.

Before Spain's EEC accession, Austin Rover waged a vociferous campaign to highlight what it saw as unfairness in the Anglo-Spanish motor trade.

Spain imposed its high tariffs in the early 1970s to protect its then-emerging motor industry, but has since expanded to the point where its production of about 1.2m units last year was nearly 20 per cent greater than that of the UK.

Mr Muller said it was now accepted that the transitional tariff arrangements could not be changed. But Austin Rover would fight, in negotiations due later this year, for a larger share of the total import quota for Spain's EEC partners.

Meanwhile, Austin Rover has set a target of increasing its West German dealer network from 200 to 250 outlets this year, in the belief that annual sales of 12,000 units are feasible.

Austin Rover is also forecasting a 31 per cent sales increase in France.

Union opposes wages restraint

BY DAVID THOMAS, LABOUR STAFF

THE CONFERENCE of the 220,000-strong manufacturing union, Tass, yesterday voted for a resolution opposing incomes policy and wage restraint.

The resolution was passed unanimously, indicating the difficulties facing the Labour Party's leaders in convincing left-led unions like Tass to agree to an economic strategy which incorporates wage constraint.

Statements by some prominent union and Labour Party leaders have recently suggested the need for workers to exercise voluntary self-discipline over pay rises in order to boost employment and increase the chances of Labour winning the next election.

However, Mr Granville Clay, a member of the Tass executive, proposing the resolution, said: "If this union can do one thing to help win the next election, it's to tell the Labour Party 'no incomes policy'."

Mr Clay said increased wages created demand and therefore jobs. Wage restraint would lead to extra profits which would probably be invested abroad rather than in Britain.

The experience of past incomes policies showed that organised workers would not operate such a policy, despite what some union leaders were saying now.

People would not vote for the Labour Party if it was committed to an incomes policy, "particularly the skilled workers, who always lose their differentials under a pay policy."

Instead, the union supported greater planning of the economy under a Labour Government.

"But if you can't plan society, don't plan incomes. It will lead to disaster," Mr Clay said.

● The shop workers' union USDAW yesterday championed the need for a pact between Labour and the unions which would include wage restraint as part of an agreed package of economic planning.

Goldcrest's Chariots of Fire 'myth' overturned

By Raymond Snoddy

THERE is a special place in the mythology of the British film industry for Chariots of Fire, the story of the plucky British Olympic runners, and Goldcrest, the plucky little British independent film company.

"The British are coming," said Mr Colin Welland, the scriptwriter, as he held up an Oscar at the ceremony in Los Angeles.

For Allied Stars, the film production company of the al-Fayed brothers, owners of Harrods, department store in London, it has all got a bit much. The company has taken out advertisements to tell the world that, contrary to public perception, they invested $3m in the film, and co-produced it with Twentieth Century Fox.

Goldcrest put up "seed money" totalling £17,000. But because the film was produced by Mr David Puttnam, a producer associated with Goldcrest, everyone assumes Chariots of Fire was a Goldcrest production.

"People honestly believe Goldcrest produced Chariots of Fire," says Mr Jack Wiener, president of Allied Stars. "This is not a vendetta, but we would like a little recognition now and again for our 50 per cent backing of a picture called Chariots of Fire."

Mr Jake Eberts, chief executive of Goldcrest, confirmed that the total Goldcrest investment in the film had amounted to £17,000 to develop the script. The company received that money plus interest and a fee – totalling £25,000 – before filming began.

So far, Goldcrest has received £825,000 return on its investment, and his figure is likely to rise to £900,000.

Coal Board reports best results for seven years

BY MAURICE SAMUELSON

THE NATIONAL Coal Board has ended its first full financial year since the end of the year-long miners' strike with a loss of £50m, its best financial performance for seven years.

Its loss compared with £875m in 1983-1984, the last full year before the strike, which ended in march 1985 and was £300m better than the board had forecast at the start of the financial year.

The board had expected to need £929m for its cash flow from the Exchequer in 1985-1986. But only £430m was needed.

Mr Ian MacGregor, announcing the preliminary results for 1985/1986, also warned that this progress might not be repeated in 1986-1987 because of the impact in coal prices of cheaper oil.

Mr MacGregor, whose three year chairmanship ends in August, said in future the NCB would trade under the Name "British Coal" rather than the name used since the industry was nationalised after the Second World War. But there is no intention to scrap the industry's legal title for the foreseeable future.

In a parliamentary written answer yesterday, Mr Peter Walker, the Energy Secretary, noted that the full support given to the NCB in the past financial year had been more than £1.4bn.

This had comprised nearly £700m in deficit grants; £212m in social grants; and £564m to finance the NCB's heavy redundancy programme.

But Whitehall officials did not dissent from the figures presented by Mr MacGregor and agreed with his interpretation of them.

The NCB has conceded it will have to cut prices to the electricity industry, its biggest customer, which is itself under pressure to reduce tariffs in the wake of the cuts announced by the gas industry.

But Mr MacGregor said the board was "still determined to succeed" in meeting the 1987/1988 break-even target set it by the Government.

Negotiations yesterday at the Central Electricity Generating Board (CEGB) involved an offer by the coal industry for a five-year supply agreement, which would include a steadily increasing tranche of coal aligned to cheaper foreign-produced coal.

The electricity industry believes its hand has been strengthened by comments in Parliament three weeks ago by Mrs Margaret Thatcher, the Prime Minister, that electricity users should benefit from cheaper fuel prices.

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Elders' bid move rejected by court

By Raymond Hughes, Law Courts Correspondent

ELDERS IXL, the Australian group that has made a £1.8bn ($2.8bn) takeover bid for Allied Lyons, the UK food and drinks group, has lost its legal battle to stop its confidential plans for financing a revised offer being disclosed to Allied.

The High Court in London yesterday dismissed Elders' plea for an order quashing the decision of Britain's Monopolies and Mergers Commission, to which the bid has been referred, to disclose the information to Allied. The bid has been frozen pending the commission's report.

Mr Justice Mann said the commissioo had acted correctly in subordinating the possible detriment to Elders of disclosure to its duty to investigate whether a merger of the two companies would be against the public interest.

Elders, which has interests in brewing, agriculture, finance and international trading, is to consider an appeal.

The judge said the commission believed it needed Allied's views on the proposed financing of a revised bid to enable it to carry out its investigation. It also thought that fairness to Allied required disclosure.

Allied's view was that, if it did not know what Elders was proposing, itmight be dealing with "a moving target" and unable to make representations to the commissioo about the changed position.

Elders complained that disclosure of its confidential proposals, certain features of which were unique, would enable Allied to forestall a revised bid, which would be frustrated and undermined.

Disclosure would be unprecedented in any takeover situatioo in any market in the world, and might create a false market in the shares of both companies.

Elders argued that the commission had acted unfairly and taken insufficient account of the disproportionate harm that disclosure would cause to Elders.

The judge said the considerations of fairness had arisen in the course of a statutory investigation as to what was and was not in the public interest.

Prison staff to intensify dispute with national industrial action

BY PHILIP BASSETT AND PETER RIDDELL

PRISON officers will today begin nationwide industrial action for the first time in their dispute over manning levels. The Government said yesterday that it would implement contingency plans to counter the effect of the officers' action.

The executive of the Prison Officers' Association (POA) notified the union's branches at all 180 prisons in England, Wales and Northern Ireland – the first time action has been taken in the province – of its decision to intensify the action.

Full details will not become clear until today and may vary from prison to prison. But for the first time, it will involve all officers. It is likely to include a work to rule, action affecting the escort of prisoners to and from jails, and controlled unlocking of prisoners, which heavily disrupts prison regimes.

The executive decided not to press ahead yet with strike action, although some executive members were forecasting that strikes in the service were now not far away.

One possibility is that the new action will take the form of a week-long ban on overtime. Mr Phil Hornsby, POA assistant secretary, described the action as "very severe" and forecast it would cause massive disruption in the prisons. He said there was no intention in the Home Office to render the union impotent and he made it clear the POA was not prepared to tolerate that.

Mr Eric Caines, director of personnel in the Home Office prison department, said that the most critical action would be if the officers called a strike – but the Home Office did not believe POA members would support such acoon. It could deal with a strike if oecessary.

In the House of Commons, Mr Douglas Hurd, Home Secretary, said that the Government would take all possible steps to protect both prisoners and the public from the effects of the dispute. He made "a final appeal to prison officers to look at the package of proposals placed before them and to judge whether it is worth throwing that away by taking further industrial action."

A Home Office circular will be sent to courts and police today. It will suggest the adjournment of some critical cases and the refusal of immediate bail to others.

Mr Hurd said that the aim of the circular was to seek the understanding of the courts and to suggest ways of reducing the burdeo on the police. But he stressed that he was "not seeking to interfere with judicial decisions."

During questioning, Mr Hurd said be sympathised with a plea for introducing no-strike agreements

Gatwick's second terminal delayed

By Lynton McLein

THE BRITISH Airports Authority (BAA) is to delay the completion of the new £200m passenger terminal at Gatwick airport, London, by nine months "in the light of cash-flow forecasts for the coming year," the authority said yesterday.

The authority has had to reassess the priorities for its entire £550m current investment programme.

The first phase of the new north terminal at Gatwick was to have opened in June next year to cope with rapidly rising passenger demand and increasing congestion at the airport. The terminal is now likely to open in spring 1988, the BAA said yesterday.

The authority expects growing pressure on passenger traffic at Gatwick for the next two summers as a result of the delay. Airlioes are likely to be asked to spread the daily peaks of flights, with possible disruption to timetables.

The authority has been hit by the increased severity of government financial targets for the current financial year and by falling growth rates and rising costs, which have put pressure on the authority's ability to stay within the government-imposed external finance limit (EFL). The BAA tries to fund a high proportion of its capital investment programme from its own income.

The EFL was set at £15m for 1986-87. This sets a ceiling on BAA's borrowings and is low in relation to the scale of capital airport projects which BAA has under way. In the previous financial year, the EFL was a minus figure, when the BAA had to pay the Treasury £21m.

The financial targets were set by Mr Nicholas Ridley, the Transport Secretary, earlier this month in readiness for the privatisation of the BAA.

The current investment programme at BAA airports includes the £290m development of Stansted in Essex as Loodon's third airport, where work started on April 15, and the £70m refurbishment of terminal three at Heathrow airport, London.

The BAA opened its £200m termioal four at Heathrow earlier this month, but this project bad oo impact oo the decision to delay the second terminal at Gatwick.

The oew north terminal at Gatwick is desigoed to boost the airport's passeoger handling capacity from 16m passengers a year to 25m

Murdoch delays deadline in print dispute

By Our Labour Editor

MR Rupert Murdoch's News International yesterday extended the deadline for the print unions to accept its printing plant and compensation offer to end its newspaper dispute. The move follows pressure from leaders of the EETPU electricians' union.

Mr Bruce Matthews, NI's managing director, met Mr Eric Hammond, EETPU general secretary, on Monday. EETPU members form the majority of NI's workforce at its Wapping printing plant in east London.

The dispute with the print unions was caused when NI dismissed 5,500 workers for going on strike over the move to Wapping. NI is the publisher of the Sun, News of the World, The Times and The Sunday Times.

In a letter to Mr Hammond yesterday, Mr Matthews said he had contacted Mr Murdoch after Monday's meeting and he had agreed to extend the deadline.

Print unions now have until May 30, rather than May 7, to respond to the company's offer of its old Gray's Inn Road plant, plus £15m in compensation.

Stock Exchange and Isro near agreement

BY BARRY RILEY, FINANCIAL EDITOR

THE STOCK EXCHANGE and the International Securities Regulatory Organisation (Isro) are close to resolving their differences and are shortly expected to agree to set up a single regulatory authority for members of both organisations.

The proposals, drawn up after talks between the two bodies, will be debated at a meeting of the Stock Exchange Council on May 13.

Mr Stephen Raven, a Stock Exchange Council member who has been active in a joint working party with Isro on the feasibility of an international equities exchange, said a merger of the two bodies would be "a tremendous step forward."

However, views of Stock Exchange members generally have not yet been canvassed. And Mr Jonathan Agnew, chief executive of Isro, emphasised that the two bodies were still some way from formal decisions.

The Securities and Investments Board (the new top regulatory body for the investments market) described the principle of a merger as an "admirable idea."

The SIB believes the best way of regulating the markets is to have the minimum practical number of self-regulatory organisations

Last year seven SROs emerged as candidates for recognition by the SIB, but already the National Association of security dealers and investment managers (Nasdim) has agreed to merge with the insurance and unit trust intermediaries body Lutiro, and there is a possibility of a combination of the life assurance and unit trust companies' organisation Lautro with Imro, the investment managers' body.

If the Stock Exchange/Isro merger goes through there could eventually be only four separate SROs.

Originally, there was some friction between the Stock Exchange and Isro, when last autumn Isro proposed to set up a rival international equities market in London, but the two bodies have sought to reconcile their differences and have set up discussions at two levels.

Mr Raven, from the Mercury International offshoot Rowak, and Mr Archibald Cox of Morgan Stanley, representing Isro, have headed a working party to study the possibility of an international equities exchange

Teachers' union in pay talks

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LEADERS OF the National Unioo of Teachers (NUT) and education authority employers are negotiating a deal designed to end the continuing disruption of schools in return for an interim pay award for all teachers in England and Wales.

The deal, discussed yesterday when the two sides were brought together by Mr Giles Redicci, the Labour Party's seoior education spokesman, would also readmit the NUT to the curreot long-term talks oo teachers' pay, service conditions and employment contracts.

The mood at the meeting was said to be one of cautious optimism. The biggest outstanding problem is the size of the proposed pay award.

With civil servants set to accept the 6 per cent pay rise and local authority craftsmeo also baviog been offered 6 per cent, the employers will be unwilliog to cootemplate anythiog higher for teachers.

Last month, after the end of the 13-month schools dispute, teachers received a pay rise of 6.9 per ceot backdated to April 1 1985, as well as a further 1.6 per cent from March 31 1986.

That settlemeot was opposed by the NUT, which represeots about 48 per cent of state school teachers, and the union has since maintained limited disruptive sanctions.

In retaliation, the Labour-led employers have excluded the NUT from the long-term talks.

The proposed deal would save face on all sides, allowing the NUT to claim credit for a further pay rise and getting the unioo back ioto the long-term talks after the failure last week of its attemot to do so through the courts.

For the employers, the deal would get the biggest teaching union involved in talks which look unviable without it. For Labour, the deal would end an embarrassing confrontation between the Labour educatioo authority leaders and the NUT.

Private schools draw more pupils

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

BRITAIN'S independent schools last year recorded their biggest increase in pupil numbers since 1981 despite average fee rises of 9 per ceot compared with 6.1 per cent inflation, says a survey published yesterday by the Independent Schools Information Service (Isis).

The 1,289 independeots covered by the Isis surveys in 1985 and 1986 had an increase over the year of nearly 5,000 pupils – 1.2 per cent – although the same period saw the UK's total school-age population decline by about 3 per ceot.

The survey suggests that 6.5 per ceot of all UK schoolchildren are now catered for by the full independent sector of about 2,500 scho ls, compared with 6 per cent a year ago.

Heads of six representative fee-charging schools present at the launching of the survey in Loodon denied that the disruptioo of state schools by teachers' unions had led a significant number of wealthier pareots to transfer their children to independents.

The heads said the main reasons for the increases in boy day-pupils and girl day-pupils and boarders – boy boarders declined – were improved marketing by the schools and changed parental attitudes.

UK NEWS

Eaton to move part of US pump production

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

EATON CORPORATION is to transfer production of some automotive pumps from the US to a new joint company it is to set up in the UK with the Hobourn Group of Kent, south-east England.

The joint company will be based at Hobourn's existing factory at Strood in Kent and the venture is expected to create about 200 jobs over the next three years to add to the 500 already employed at the site.

Mr Jim Omand, managing director of Hobourn, which the management bought from the Thomas Tilling Group in 1983, sayd yesterday thet Eaton had decided to make the move because Hobourn's cost base was lower than that of the US factory – at Marshall, Michigan – and had a proven track record through some years of making Eaton automotive pumps under licence.

Eaton has a 15 per cent shareholding in Hobourn which the US group will give up to take 50 per cent of the new joint venture company, Hobourn-Eaton Steering. The US group's contribution to the share and loan capital will be £1.7m.

The partners plan to launch the project this summer and to have a new production line fully operational in 1987.

The new company will be responsible for the design, manufacture and marketing of a large range of power assisted steering pumps for all types of cars and trucks.

Initially the range will include units already being manufactured by Hobourn under the Hobourn-Eaton name and under licence from Eaton, for cars and trucks.

Production of some pumps for the truck market – an area in which Eaton claims market leadership – will gradually be phased out at Marshall as Strood builds up output.

Eaton said that the change would "not make a significant difference" to its Michigan facility.

Mr Omand said Hobourn had recovered since 1982 when it suffered pre-tax losses of more than £1m. Since the management buy-out, with assistance from 3i (Investors in Industry), in 1983, Hobourn's sales have increased by more than 50 per cent to £13.8m in 1985 and taxable profits reached £1.06m.

EEC trade mark office sought

BY HAZEL DUFFY

THE BRITISH Government opened its bid yesterday to secure the proposed European Community trade marks office for London. If successful, the office would house the first permanent Community institution to be located in Britain.

A brochure identifying four possible locations in and around London is the first step in a campaign which will extol the virtues of the City as a financial and commercial centre, and more specifically its tradition in trade marks.

Britain expects to face strong competition from other member states, particularly West Germany and the Netherlands. The European Patent Office, which includes seven EEC countries, is located in Munich and has a subsidiary office in The Hague.

The British Government's campaign has been launched before the European Commission's request for proposals on locations. Mr Geoffrey Pattie, Minister for Industry and Information Technology, said yesterday that when the proposals had been received, the Government would focus on a single site that would be the subject of a formal bid.

The attractions in securing the trade marks office for London lie mainly in the indirect employment it would bring – about 250 would be directly employed, probably on a nationality quota basis – and prestige. Indirectly, it would give work to trade mark and patent agents as well as the legal profession. Unofficial estimates put the value of the office to the British economy at about £10m annually.

The Commission first put forward the idea of a Community trade mark six years ago. Its amended draft regulation is expected to be approved by the Council of Ministers by the end of next year.

The Community trade mark will give protection under Community law, although a system of national trade marks will also be retained. Access to the Community trade mark will be extended to non-EEC companies and individuals, which could increase the attractions of London. North American, and to some extent Japanese, companies prefer to work with systems where the English language is used predominantly.

Company data service launched

BY GEOFFREY CHARLISH

COMPANY information will be supplied by a computer-driven voice over the telephone to Dun & Bradstreet subscribers in a service called Dunsvoice, launched in the UK by the financial data research company.

Subscribers previously had to wait for mailed reports or become involved in conventional telephone conversations. They can now use a push-button multi-frequency telephone to obtain the service, which covers over 1m UK companies and costs about £5 a time.

After logging on with security and costing codes, subscribers can ask for the highlights of a company's financial position or can obtain more details in response to prompts from the voice.

These include whether a company is considered able to pay a specific sum of money, how long it is likely to take and whether there are legal problems.

Dunsvoice uses specialised computers of the parent group in New York and the D&B UK database to assemble the answers from segments of text spoken by an actress and held on disk stores. The system takes a few seconds to respond while standard statements are completed with appropriate numbers and words.

Cadbury division changes hands

By Lisa Wood

CADBURY SCHWEPPES, the confectionery and drinks group, formally hands over its domestic foods and beverage division this week to managers who mounted one of Britain's largest buy-outs.

The managers bought the division for £97m and plan to bring the company – to be renamed Premier Brands – to the stock market in 1990 with a capitalisation of about £70m on projected taxed profits of £7m.

Premier Brands – whose products will include Smash, the Chivers range of jams and marmalades, Ty-Phoo tea and Cadbury's chocolate biscuit range – will have annual sales of about £300m.

If will employ about 5,000 workers, who will be offered up to 15 per cent of shares when the company is floated. Cadbury Schweppes will also be offered a share option of 10 per cent in the business.

Mr Paul Judge, former managing director of Cadbury Ty-phoo, is to become managing director of Premier Brands. For the first few years there would be a high level of debt and it would be three or four years before the company could reinvest in new brands, he said.

"Our brands, such as Marvel, are market leaders, but they are operating in mature markets and, over the last few years, there has been little investment in new products.

"The division did make money but it was spent in other areas. Capital investment was similarly affected, with some £100m spent on the confectionery activities compared with £25m on food and beverages.

This year, the new company hopes to achieve an improved ratio of profits-to-sales by concentrating on products for which it sees a clear future and by trimming personnel through natural wastage.

The original £82.5m management buy-out offer was raised after Allied Lyons, the food and brewing group, made an offer for the division.

Swedish partner

YESTERDAY'S article "Papermaker builds from basics" stated that the Swedish partner in UK Corrugated was Assi. It is in fact Svenska Cellulosa Aktiebolaget SCA.

UK NEWS

George Graham reports on the CBI's latest industrial trends survey

Manufacturers regain optimistic outlook

UK MANUFACTURERS are now more optimistic about business prospects after seeing output stagnate over the last four months, according to the latest quarterly industrial trends survey carried out by the Confederation of British Industry (CBI).

The survey by the employers' organisation shows business confidence is back to the levels it reached early last autumn – after dipping when companies were last questioned in October and January – but still fails to match the buoyancy it showed last spring, when the falling value of sterling boosted order books.

The CBI says 21 per cent of the 1,588 companies questioned are more optimistic about the general business situation, and a quarter expect output to rise in the next four months. Large companies, in particular, are more confident, especially in export markets.

The survey is the 100th carried out by the CBI since it was first introduced in 1958. It was conducted between March 27 and April 16, at a time when the pound stood around $1.47 and DM 3.44 – higher against the dollar and lower against the D-Mark than at the time of tha January survey.

On the general business situation, two thirds of respondents said they were as optimistic as they were four months ago. While 21 per cent reported an increase in confidence, 13 per cent reported a decrease.

Companies employing more than 5,000 people showed the greatest turnround. From a negative balance of 12 per cent in January they moved to a positive balance of 12 per cent. The most optimistic industrial sectors are electrical and instrument engineering, and paper, printing and publishing each with a balance of +21 per cent.

Output and orders:
Output stagnated over the last four months as 21 per cent of companies reported higher production and the same proportion lower production. The largest companies reported a decline in output, with a balance of –22 per cent.

Four of the broad industrial sectors reported negative balances, including food, drink and tobacco, and electrical and instrument engineering. The fastest growth was reported in textiles and in metal products.

New orders over the last four months also stagnated, after declining slightly in January.

Prospects for orders in the next four months improved, with a balance of +16 per cent, compared to +9 per cent in January. The most positive sectors were electrical and instrument engineering and printing, paper and publishing, with balances of +34 per cent.

The balance of companies reporting their order books to be below normal worsened to –24 per cent, the lowest level since October 1983.

Capacity and constraints to output:
Below capacity working was reported by 57 per cent of respondents and has increased in each survey since the level of 45 per cent in July 1985. It is now at its highest level since April 1984.

The worst affected sector was metal manufacture, where 80 per cent of companies reported working below capacity. This sector had no companies reporting that their present fixed capacity was less than adequate.

The main constraint on output was, once again, a shortage of orders. The worst affected sector was metal manufacture.

Scarcity of finance is reported as a constraint by 8 per cent of the sample, with large companies – especially producers of motor vehicles and other transport equipment – worst affected.

Stocks of raw materials held by manufacturers fell again, as they did in January, but companies with less than 500 employees reported an increase in stocks. For the next four months, further falls in raw material stocks are expected.

The level of work in progress was static. While the largest companies have in general reduced their work in progress, the metal manufacture sector reports an increase.

Stocks of finished goods were reported down over the last four months by a balance of –3 per cent, the same as in January.

A balance of +10 per cent expected to increase investment in plant and machinery over the coming year, an improvement from the low results of the last three surveys, but still below the level reported between July 1983 and April 1985.

The largest companies were the most positive, with a balance of +19 per cent. All 12 broad industrial sectors expected at least to maintain investment levels, but 16 of the 50 individual industries expected declines.

Factors limiting capital expenditure have changed in importance, the survey shows. Now, 47 per cent report inadequate return on investment as a factor, compared with 41 per cent in January. Only 41 per cent report uncertainty about demand, compared with 49 per cent in January.

This is the biggest margin by which reports of inadequate return have exceeded those of uncertainty about demand since the question was first asked in October 1979, the CBI says.

Employment:
Employment has continued to fall over the past four months, reported by a balance of –17 per cent – the lowest level since January 1984. The smallest companies reported a slight increase, but the largest companies showed a balance of 30 per cent with lower employment.

Over the next four months employment was expected to decline by a balance of 14 per cent, the same as in January. Only two sectors expected to increase their employment: textiles, and paper, printing and publishing.

Costs and prices:
The number of companies reporting an increase in costs was the lowest since 1963, confirming that cost pressures are at low levels. A balance of 19 per cent reported higher costs, although in the consumer goods industries the balance was +29 per cent. Chemicals and metal manufacture reported cost falls.

Exports:
Manufacturers said they were more optimistic about their export prospects than in January, with a balance of +12 per cent. The largest companies showed a balance of +43 per cent, and all the broad industrial sectors were positive.

Export orders in the past four months were reported down by a balance of –1 per cent. The most negative sector was motor vehicles and other transport equipment, with a balance of –15 per cent.

For the next four months export order prospects are much better, with a balance of +18 per cent after three successive surveys in which it was below +10 per cent.

Export deliveries in the last four months were reported up by a balance of +5 per cent, compared with +3 per cent in January and +1 per cent in October. In the next four months higher export deliveries are expected by a balance of 20 per cent.

CBI Quarterly Industrial Trends Survey, CBI Economic Trends Department, Centre Point, 103 New Oxford Street, London WC1A 1DU Annual subscription £106 (CBI members) or £170 (non-members).

Far East companies 'discussing plants'

BY IAN HAMILTON FAZEY

MORE THAN 2,000 new jobs are now in prospect in north-east England as a result of more inward investment from Japan and Hong Kong, the North of England Development Council announced yesterday.

The names of the interested companies are being withheld because of commercial confidentiality and competition from other development agencies in Britain and continental Europe. However, the council says they include "a major project" from Japan involving 1,000 jobs and a similar number from a Hong Kong textile company with "massive" investment in mind.

In addition, a Hong Kong electronics manufacturer is looking in the north-east for a site for a factory, which would create 200 jobs.

In all cases, the companies have made several visits and had had "substantial discussions," Mr Andrew Robinson, the council's development manager, said yesterday.

The companies have just been visited by the council's new chairman, Mr Septimus Robinson, on a Far East tour. Representatives of one company arrived in Newcastle-upon-Tyne yesterday for more discussions. Others are expected in the next few weeks.

The council is capitalising on Nissan's decision to open a car plant in Washington, Co. Durham. Officials believe that this has done much to promote the North-east to other Japanese companies because Nissan would not have chosen the area without substantial research on its attractions.

There are now 12 Japanese companies in the area. Five Hong Kong companies have been attracted since 1983, and the council believes that its new office in the colony will see their numbers start to snowball.

Mr Robinson said yesterday that other negotiations close to conclusion were a Texas-based plastics maker with 50 jobs, a Danish chemicals company looking for a site where 200 would be employed and a French plastics concern with a 50-job project.

NUM's defiance 'has cost union £1.8m'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DEFIANCE of the High Court has cost the National Union of Mineworkers (NUM) nearly £1.8m, the court was told yesterday.

The figure came from a report by Mr Michael Arnold, the court-appointed receiver of the NUM.

It was agreed yesterday that there should be a court hearing, probably on May 14, to see how it might be possible to end Mr Arnold's 16-month stewardship of the NUM's affairs and return them to the control of the union.

Mr Justice Mervyn Davies, who appointed Mr Arnold in December, 1984, after ruling that the NUM's trustees were not fit and proper persons to control its finances, said he wished to see a speedy end to the receivership. However, there were still obstacles to that.

The main obstacle is an action started by Mr Arnold, a senior partner in City of London chartered accountants Arthur Young, last September.

He is claiming damages for alleged breach of trust against Mr Arthur Scargill, the NUM president, other leading NUM officials and six banks, in connection with the transfer abroad of £8.5m of NUM funds shortly before the year-long miners' strike started in March 1984 in an attempt to keep them out of the court's reach.

That action is due to be heard in January. It is generally accepted that Mr Arnold must remain in the saddle to pursue the case, and next month's hearing will try to resolve the procedural problem of how to achieve that and at the same time effectively end the receivership.

In his report Mr Arnold said it was still too early to count the final cost to the NUM of its defiance.

But, he said: "It must be remembered who is responsible for that loss. It was the leaders of the NUM who chose by their actions to visit enormous losses on the trust funds."

Mr Arnold reported that he collected £14.5m of NUM money, including £7.7m of the funds sent abroad, and £1m income earned by money he had put on deposit and paid out £6.9m, which included £1.79m attributable to the receivership and the sequestration of the union's assets between October 1984, and November 1985.

The £1.79m was made up of: Contempt of court fine £200,000; UK legal fees in the receivership £595,436; overseas legal fees in the receivership £87,281; receiver's remuneration £353,716; net amount paid to sequestrators £435,808; foreign exchange losses £120,725.

Mr Arnold also said it appeared that at the end of last year the NUM was solvent, with a surplus of assets over liabilities of not less than £1.7m.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why the Haniels rely on professionals

Peter Bruce continues his series on West German family companies with a look at a trading trading conglomerate with US interests

FREDERICK the Great Prussia's 18th century warrior king, may have beeo eccentric—it is said that he used to touch up the red paint on his cheeks in the morning in order to appear fresh and healthy—but he also had a good business brain and encouraged the spirit of entrepreneursbip among his subjects.

One such was Jan Wilhelm Noot, a businessman in Ruhrort (now part of Duisburg) where the Ruhr river joins the Rhine. In 1756 Frederick granted Noot the right to build a new bome and warehouse outside the city walls, from wbich he established a small agency and transport business. Franz Haoiel, Noot's grandson by his daughter Aletta Haniel, was born io the same home in 1779, and took over the business when he was 17.

Franz, by all accounts, was something of a whizzkid. He built up a river fleet to transport coal from the area, helped build up the inland barhour at Ruhrort (it is now the biggest in the world), persuaded the authorities to expand their tiny railway network, and founded the smelting company that eventually became Guetehoffnungshuette (GHH), oow Europe's biggest engioeering coocern. By the time he died in 1868 he had also pioneered early forms of welfare for his workers, including a savings bank and a small hospital.

Franz Haniel's modern descendants number more than 200 and they own a busioess with sales of DM 13bn (£4bn) a year, but which in many ways resembles the one he left behind. There is one important difference—the family has for several generations bired professional executives to manage the company.

Dr Hans Georg Willers, chief executive of Franz Haoiel and Cie since 1981, likes it that way. *He reports directly* to eight members of the family beaded by Franz's most senior direct descendant, Klaus Haniel, elected to the company's supervisory board. "As long as the profits are good there are not too many problems," he says. Under Willers, Haniel's net income has risen from DM 64m in 1981 to DM 77m in 1984 and, with the family taking no more than 25 per cent of that for themselves, be has had reasonable scope both to make acquisitions and to make mistakes. Turnover, DM 6.3bn in 1981, bas more than doubled.

Franz Haniel (left): *founder of a dynasty*; and Hans Georg Willers: non-family chief executive

In a way, Willers has been lucky. After the war, and true to tradition, Haniel continued rapidly to switch its attentions to new opportunities wben they arose. In the late 1960s, just ahead of the oil crisis, Haniel sold *off* one of the biggest petrol station networks in West Germany and used the money to buy a one-third stake in the Metro wholesale supermarket chain. In the mid-1970s the family, keen to buy something in the US, acquired Scrivner, America's fourth biggest food retail and wholesale group.

"Metro wasn't planned," says Willers. "It was luck. Scrivner was the first strategic purcbase." The important thing about Scrivner, borne out by the acquisition conditions set out by Haniel's consultants, McKinsey, was that it fitted almost exactly the group's traditional expertise—buying, selling and transporting but manufacturing nothing.

The Metro and Scrivner purchases, along with the acquisition in 1973 of one of West Germany's biggest pharmaceutical wholesalers, Gehe and Co., shape Haniel today. Since taking over as chief executive Willers has radically decentralised the group—"you get better people that way," he says. "They enjoy the work more."

Last year, with the family's permission, he spent DM 100m buying one of Europe's biggest 24-hour parcel delivery services, Trans-O-Flex. Before that in 1984, he made Haniel's biggest ever purcbase by buying the SM Flickinger retail chain in the US in order to link it up with Scrivner. In 1982, Gehe consumed a DM 500m a year rival, Ruwa. In 1981 Haniel bought one of its most profitable operations, CWS, a Swiss-based washroom service group.

An attempt to get into oil and gas exploration in the US three years ago failed, as did Immodata, an attempt to marry Haniel's real estate business with its in-house computer services. "You can buy computer services at any street corner nowadays," says Willers ruefully.

He bas also continued to get out of unattractive operations, last year selling 50 per cent, and full management control, of Haniel Handel, a heating fuel trader, to Mobil and, in 1984, selling the company's international coal dealing business, Haniel Coal and Mining, to a neighbouring rival, Stinnes.

But there are lengths, outsiders believe, to wbicb Willers could not go even if he wanted to: where family tradition is the last word. The old river fleet, ploughing German waterways in a very overcrowded market, has long ceased to deliver exciting returns. But getting rid of it would, to many family traditionalists, be unforgivable.

Willers has, anyway, more pressing problems. Profits at Metro, Haniel's cash cow, are slipping but because of the agreement made when Haniel bought the 33 per cent share, it has only a limited say in how Metro should be run. Also, there is a danger, though it is not yet a serious difficulty, that the group, as a result of the weak dollar, may have become overexposed in the US which now accounts for some 60 per cent of turnover.

It is probably just as well that Willers, whose job borders on portfolio management, has decided it is time for Haniel to draw breath and consolidate for a while. The family and the group's 16,000 employees must sometimes feel they have been violently shaken. He holds press conferences, something unthinkable 10 years ago. A philosopher on family businesses, he gives speeches on how they should be run and is quite adamant that an owning family has no place in management. "They have different interests—the family has money and the management has knowledge of the future." Or, "family membership is no qualification (for leadership)." Old Franz Haniel would probably turn in his grave but it would be hard to sneer at the balance sheet. Frederick the Great, by most accounts a playful warrier, would probably be amused.

Previous articles in this series appeared on April 17 and 18.

A passion for tradition

KLAUS HANIEL appears to be one of *that* ever-dwindling number of people who, if they had their life over again, would not change much. The war years, especially being a prisoner of the Russians and then the Czechs, would certainly go. The Russians didn't hurt him but the Czechs obviously did. "You quickly realise how thin the layer is," he says, "that divides man from animal."

Klaus Haniel is 70 and the senior living descendant of Franz Haniel, his great-great-grandfather. Klaus heads the Haniel family, all 240 of them, and he does so with a very unfashionable passion for tradition. He started his working life as a miner—well, he studied mining in Aachen and did a year underground before beginning a rapid rise through to top management in the family mining business, Rhein Preussen.

This was followed by an appointment to the supervisory board of the Gntehoffnungshutte (GHH), today Europe's biggest engineering company, in which the Haniels had an 80 per cent stake up to the war. Klans eventually became chairman of the GHH supervisory board and was also asked to join the board of Thyssen, the West German steel and engineering group.

At about the time he became chief at one of the big Haniel mines, and conscious of tensions that had developed among some family branches of his father's generation and threatened briefly to damage family unity, Klaus Haniel began to meet informally with three other family members he knew and respected. Together, the four, none of whom necessarily had a particularly large stake in the Haniel empire, came to form what is now quite obviously the key decision-making body in the group.

Klaus Haniel calls it "the small circle"—it expanded to eight about six years ago. The rules have remained the same. No-one is there by right, only on merit. And neither are they all family. One man, a lawyer, administers the wealth of one of the Haniel widows. They meet about once every two months and will often ask Hans Georg Willers, Haniel's chief executive, to join them. The senior Haniel makes little secret of his admiration for Willers.

Klaus Haniel: current head of a 240-strong family

"We are very open among ourselves," says Haniel. It is this small circle, for instance, that decided family shareholders needed some form of protection from being over-exposed in the West German economy of the mid-1920s and decided to buy something (it turned out to be Scrivner) in the US. The small circle head-hunts chief executives and is the guardian of a rule handed down by Klaus Haniel's great grandfather—that management and capital (the family) be strictly separated to avoid conflict. The small circle voted last year to sell off the last holding in GHH—Klaus Haniel was outvoted by what he calls "the youngsters" who thought he was being sentimental by wanting to hold on to a GHH stake.

Haniel's holdings in GHH had slipped by that time to below 10 per cent, largely because the family had declined to participate in a number of capital-raising exercises over the years. Still, the final parting must have been hard for Klaus Haniel, just as it had been in the late 1960s when the family sold off Rhine Preussen, his old stamping ground.

Normally, German companies make do with a supervisory board (on which shareholders and workers and sometimes creditors are represented) to oversee management, but Haniel, in addition to the small circle also has a beirat, an advisory council of 24 important shareholders who also make up the shareholder (in this case, family) side of the supervisory board. The beirat has little to do with business detail. It would have been consulted on the move to the US. It is also consulted on dividend payments but is limited by an unwritten, though "iron" rule, according to Klaus Haniel, that at least 75 per cent of company profits are ploughed back into the business.

Sentimentality aside, that provides Klaus Haniel with probably his strongest argument for keeping the business in the family and for avoiding going public. "As a public company we would never succeed in holding dividends to 25 per cent," he says, and, besides, "I fear that the moment we go public the family would fall apart."

The danger always is, however, that the family could grow so large as to become unmanageable. Klaus Haniel says he goes to a lot of trouble to maintain family unity. The Haniel youth are invited to a bi-annual meeting and are encouraged to be inquisitive about what is being done with "their" company. Some of their questions, he says, are very uncomfortable. For the moment, that is good news.

Management abstracts

How Large Commercial Banks Manage Product Innovation. F. A. Johne + P. Harborne in The International Journal of Bank Marketing (UK), Vol 3 No 1 (16½ pages).

Reports a study of how some large banks competing for cash and treasury management services develop new products; suggests that successful banks use managerial structures and practices strikingly more efficiently than less experienced banks, inter alia, ensuring that specialised personnel are in regular contact with the market.

Technological Development and the Board. S. Wilder in Long Range Planning (UK), Aug. 85 (6 pages).

Argues that, in an organisation bent on technological innovation, the board of directors must include a dedicated "new business director" who oversees a "product champion" (or two or more). The board's role should be supervisory, choosing wbich technologies should have support, establishing or curtailing new ventures, and—individually—giving support in specialised functions.

Women and Men as Colleagues. H. H. Solomons + A. Cramer in Management Education and Development (UK). Summer 85 (14 pages).

Discusses the barriers that women managers/professionals in organisations have to overcome if they are to be accepted—not merely *as peers*—bnt as colleagues; trust, dependability and aocial acceptability; discusses manifestations of each and offers hints for women on ways of breaking down the barriers—through management training or self-development—to compete auccessfully as equals.

Bettering the Odds on a New Venture. Management Practice (USA), Spring 85: (3½ pages).

Uses a case study to illustrate an approach to new venture modelling—in this case, new product development by a *pseudnnymous* consumer goods manufacturer; examines performance/growth potential and identifies areas of distinctive competitive competence, determining new venture programme objectives to fit the company's strengths, and creating a "screening model" against which product extensions or acquisitions could be tested. Indicates key activities and end products in each stage of the process.

Involving Employees. H. von Werra in Management Zeitschrift (Switzerland), Feb. 85 (4 pages, in German, English version available).

The president of a group of companies principally engaged in making machine tools (Sprecher + Schuh AG) stresses that much can be achieved by involving the employees in unconventional ways; two instances drawn from his own experience are described in detail, one of wbich necessitated *totally ignoring the hierarchical* structure of the gronp.

Management of the Arts. A. van de Vliet in Management Today (UK), July 85 (9 pages).

Looks at a view of arts managers as "unprofessional, excitable, inefficient crisis managers"; discounts this, finding—at least in major houses—(Royal Opera House, Royal Shakespeare Company, Victoria and Albert Museum) effective, bard-beaded management. Examines the difficulty of balancing financiat and artistic objectives with market realities; stresses the need for "targetted funding" through Arts Council grants, and points to the return on subsidy through, e.g. VAT, export revenne and tourism.

Organisational Learning. W. Bennis + B. Nanus in New Management (USA). Summer 85 (7 pages).

Defines nrganisational learning as the process by wbich an organisation, at all levels, obtains and uses new knowledge, tools, behaviour, and values. Looks, as an example, at the process taking place at AT&T (telecommunications) following its restructuring; examines the role of the chief executive in encouraging and rewarding learning behaviour, and how innovative learning should be organised.

The Fast Track May be Hazardous to Organisational Health. P. H. Thompson + others in Organisational Dynamics (USA). Spring 85 (13 pages).

Suggests that the management development strategy of moving and promoting a selected group nf managers rapidly through a variety of positions (putting them on "the fast track") is creating serious difficulties in many companies. Identifies seven main drawbacks (such as concentration on short-term results, lack of continuity, and too great a concern for personal visibility), and outlines alternative strategies that match individual/organisational needs more closely.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

THE ARTS

Television/Christopher Dunkley

Monarch of all who survey her

Nearly four centuries after the fundamental shift in British power from monarch to Parliament—that crucial transition described by Professor Wallace Notestein as "The Winning of the Initiative by the House of Commons"—how can we explain the astonishingly high esteem in which the British hold their royal family and the near contempt with which so many regard Parliament? In an age when most other monarchies have disappeared, how has the British monarch retained all the trappings of royalty including palaces, lands, steam yacht, patronage, and above all the respect and even love of the populace? To what should we attribute this most extraordinary of all, the absence of any republican movement in Britain?

There are, I suppose, half a dozen overlapping answers, with Britain's class consciousness predominating (though how far respect for royalty is an effect of that consciousness, and how far a cause, is debatable). But whatever the other factors may once have been, television has surely become central. It is no coincidence that whereas the royal family, led determinedly by the Queen herself, has welcomed and brilliantly exploited television, the House of Commons has repeatedly rejected it.

During last week's celebratory programme on BBC1, *Happy Birthday Dear Ma'am* (on the face of it a cloyingly sycophantic title, but in the event containing a hint that the Corporation tongue was in the Corporation cheek: "Ma'am as in jam" we were told), the story was repeated of how, in 1953, Churchill and the Cabinet urged that television be excluded from the solemn mysteries of the coronation, and of how the young Princess Elizabeth insisted that the cameras and thereby the viewing public be allowed in.

That says it all: the politicians (who of course would have attended the ceremony) jealously rejecting the new mass medium, as they have continued to for 30 years at their own palace in Westminster, while the royals embrace it and learn all about it. The result was that on Coronation Day 1953, for the first time in history, British television attracted a bigger audience than radio. There were more viewers per set than before or since, and in the year following the number of licensed sets rose by 50 per cent.

Television and royalty have

The Queen and other members of the royal family enjoying a popular walkabout

advanced together and today, I would guess, the British royal family is more secure and popular than it has been for a thousand years. Such is their standing that *Spitting Image* can caricature them as examples of the most offensive section of the county set—loud-mouthed, quarrelsome, rabbit-like in their sexual urges, weasel-like in their hunting instincts, possessed of 1950s cut-glass accents—and nobody bats an eyelid because nobody really believes it, not even *Spitting Image*.

Obviously the high regard in which the royal family is held has much to do with the personality of Elizabeth II, but it is television which has so effectively publicised that personality. How could it be otherwise? The monarch can no longer gain fame and favour by cutting taxes or riding out at the head of successful armies. For a time cinema newsreels became the crucial medium, but today most of the population never sets foot in a cinema. However, the time spent watching television now is 28 hours a week (that is a per capita average), and royal activities have become one of television's favourite subjects.

As Ludovic Kennedy pointed out in his remarkably good commentary on *Happy Birthday Dear Ma'am*, the turning point came with *Royal Family*. That 1969 programme made for the BBC by Richard Cawston proved that you could show the royals at home, messing about round the barbecue, without destroying the mystique. Programmes in the last couple of weeks have brought out vividly the difference between the coverage of royalty before and after Cawston's film.

The West German series *Royalty* on Channel 4 which, over the past four weeks, has depicted a year in the life of the royal family, also contained archive material of earlier kings and queens which demonstrated clearly how the cameras used to keep their distance and observe the formalities; indeed they were able to observe very little except formalities.

Than we saw last week's ITV programme marking the Queen's 60th birthday, *Fanfare For Elizabeth*, the bulk of which comprised one of those "gala" evenings which are awfully exciting for those present but in home viewers cause MEGO (my eyes glaze over). However, it was the introductory Covent Garden "walkabout" which provided the eye-opening moment. While Alastair Burnet was, sadly, reducing his standing as a journalist again with a ceaseless cascade of obsequious banalities, the director cut from a close-up of the Queen to a high long-shot in which you could see the cameraman with the shoulder pack who was providing the close-ups. He was retreating backwards in front of the Queen, his toes almost on the hem of her dress and his lens practically up her nose. She was beaming and chatting and completely ignoring the camera. Of course many people could learn to do it—but you do have to learn, and the Queen and her family have learned.

Royalty carried interviews with Anne, Philip and Charles which were neither the most gracious nor the most interesting they have ever given, but they were undeniably professional. Incidentally the most astonishing aspect of this often excellent series is that the idea has never been attempted by British television. We have had the late Huw Wheldon's *Royal Heritage* about the palaces and possessions, but nothing which ever attempted what Ralf Seelmann-Eggebert and Istvan Bury have achieved, which is to show what the British royal family means constitutionally, historically and socially.

The irony about the way that television now dwells, day in, day out, so lovingly upon the royals is that it does so, surely, as a way of providing relief from the growing level of fear and anxiety in society which itself results very largely from television. The world may not really be that much worse than it ever was but, thanks to television, people who only a generation ago would never have heard of the Sahel are today worrying themselves sick about it.

In a world that now seems to change at terrifying speed, and in which television plays the central rôle in bringing these changes, quite literally, home to us, the royal family provides a sanctuary of virtually changeless tradition, stability, confidence, and continuity. Remote wars may appal us today as they never have before. We are doubtless more conscious and consequently more frightened than our predecessors of the frequency of assault and rape around us (indeed many people have a fearfully exaggerated idea of the incidence). Riots which were once local affairs now concern us all, thanks largely to television. But the Queen Mum's hats don't change. Trooping the colour doesn't change. Even the Queen's corgis go on for ever, or so it seems. And at Christmas the generations of the royal family gather at Sandringham in an atmosphere and surroundings which would have been familiar to our grandparents.

In a worryingly chaotic world many viewers apparently find this stasis deeply comforting. People obviously *like* the royal family. Whatever sort of series the Germans may have set out to make, in the end like so many other tough professional journalists they could not disguise their admiration and even affection for the royals. Perhaps it is widespread affection of that sort which neutralises any republican stirrings.

Parliament, on the other hand, now commands less respect than at any time in living memory, and perhaps longer. Again there are probably several reasons: party bickering has increased, radio coverage has ensured the worst of all worlds (all the sound, fury and chaos and no explanatory pictures) and perhaps the general quality of MPs has declined. But Parliament's repeated votes to exclude the people from its activities by excluding their favourite form of communication, television, is surely a crucial factor in the increasing division between populace and politicians.

No doubt it will be objected that the royals have been able to pick and choose when to have the cameras in, and that a family with young children is a natural focus for affection, whereas Parliament would have to put up with the cameras all the time, and is a natural focus for irritation. But there are *two responses to that. First* television now covers every royal event and there seems *little choice left to the family; and secondly*, although Parliament would indeed have to have television all the time that is a price that ought to be paid for keeping faith with a modern electorate.

The Snow Queen/Birmingham Hippodrome

Clement Crisp

Trapped inside the all-too-generous three acts of David Bintley's new *Snow Queen* there is a good one-act ballet. It is called *Le Baiser de la fée*, and the pity is that Mr Bintley did not choreograph this rather than spread his material and his steps over the excessive length of an evening.

The Snow Queen was given its first performance by Sadler's Wells Royal Ballet in Birmingham on Monday night. It boasts fine design by Terry Bartlett and a score arranged and extensively re-written by Bramwell Tovey, SWRB's chief conductor, from thematic material by Mussorgsky, music largely unknown save in quotations from *Sorochintsy Fair*.

The central narrative of *The Snow Queen* (from Hans Andersen's tale) concerns a young man marked as a child by the Snow Queen's fatal attentions; arrived at maturity he must forsake earthly happiness and join the Queen in her frozen kingdom. For Stravinsky the allegorical aspects of the tale were linked with the idea of genius's isolation as he adapted Chaikovsky to his own musical and astutely dramatic ends. For Mr Bintley the tale is mere narrative, and on a fairy-tale level, with a dwarf, wolf-men, a magic mirror, a first comment must be on the remoteness of the emotional situation and the dramatic pallor of the characters.

An extended prologue shows us a White Dwarf creating a magic mirror at the behest of the Snow Queen. Shattered, its pieces fall to earth and mean that anyone whom these fragments touch will see and feel only cold and evil things. The first act is like a Swedish *Petrushka*, as a fair in some Nordic country marks the end of winter and introduces a great deal of peasant joviality and a little boy, Kay, and his mother who are befriended by the parents of a little girl, Gerda. Kay falls under the spell of the Snow Queen at the fair, and her wolf-men try unsuccessfully to take him away.

Handsomely designed by Terry Bartlett in grey and red (the set momentarily reminiscent of Tom Keogh's masterly decor for Babilée's *Tyl Eulenspiegel*), the fair is bursting with local colour. As with all local colour, a little goes a long way in matter of peasant trippings, a dance divertissement of winter yielding to spring, and relentless merriment, which does not disguise a weakness of dramatic pulse to the action. By its end an hour has elapsed, and though the SWRB artists have laboured long, the only emotional reward has been a frisson of menace as Kay is attacked by the wolf-men.

The second act, 10 years having passed, marks the marriage of the adult Kay (Roland Price) and Gerda (Leanne Benjamin). Merrymaking allows the male soloists, led by Michael O'Hare, to bound and bounce in well-made dances. The youthful passion of Kay and Gerda is celebrated in a tenderly sensuous duet, and the arrival of the Snow Queen's wolf emissaries with splinters of the evil mirror turn Kay against his world. The Snow Queen appears, sylphide-like, at a window and claims Kay.

The matters of dance and narrative have been well solved in this act, wherein are to be found almost all the argument of the piece. The third act in the Snow Queen's realm (a dazzling set of icy blue remoteness and pendant banners) takes us also to the kingdom of divertissement, as a dull ballabile for Snow-maidens is mingled with comic dances for the White Dwarf (Graham Lustig). The faithful Gerda has followed Kay, but as the icy fragments melt his heart and eyes he dies and he is claimed for ever by the Snow Queen.

It would be a pleasure to report on this work with the unreserved admiration I felt for Mr Bintley's earlier *Swan of Tuonela* as an extended narrative. Alas, I find its reliance upon a tenuous dramatic scheme has invited too much choreographic padding; nowhere could I appreciate the imaginative power that made *Swan* so persuasive a view of what he could accomplish. His ability to make dances is never in doubt, but too much of the text seems just serviceable step-making, and considerable pruning will be needed to pull the tale into sharper and more compelling focus.

Performances are in the main very neat though not emotionally or technically very gaudy: Samira Saidi, stunningly cloaked, is an impressive Queen; Leanne Benjamin and Roland Price have charm but not much edge to their characterisations.

The score is efficient, with intriguing subliminal echoes of *Baiser* (which will return next week to the Opera House stage). At its best, in the second act, the music sustains and colours the action; elsewhere I missed a melodic energy and extended architecture of numbers which might have encouraged Mr Bintley to stronger choreographic effects.

These are first impressions, and I want to see *The Snow Queen* again—but not as much as I want to see the fine bardic sweep of *The Swan of Tuonela*, or the succinct tragedy of *Le Baiser de la fée*.

Tosca/Covent Garden

Rodney Milnes

The 14th season of Midland Bank-sponsored Proms opened on Monday night with a revival of Puccini's supposedly fail-safe melodrama, much enjoyed by the audience but not, in truth, one of the Royal Opera's more distinguished recent revivals of the piece. So determined was the conductor Michael Schönwandt to avoid any suggestion of routine that he erred too far in the opposite direction; if such a thing as a precious *Tosca* is conceivable, then this was it.

Phrases teased out way beyond their natural length, rubato calculated to the last iota, every "t" lovingly crossed, Mr Schönwandt certainly knew what he wanted, and got it from an attentive orchestra, but it is not, I think, what Puccini's glowing little shocker wants.

The Russian soprano Natalia Troitskaya was making her British debut in the title role. Her voice is warmly coloured and generous of vibrato, so much so that the dread word "wobble" lurks in the corner of the listener's mind when pressure is applied. The conductor's leisurely tempos tested her breath control sorely — the last lines of "Vissi d'arte" were almost more breath than tone.

Giuseppe Giacomini, a heroic tenor wastefully overshadowed by the Big Three but very much their equal, made a welcome return to the house as Cavaradossi. There may be little consistent subtlety to his phrasing or his acting, which is economic in the extreme, but so meaty a middle register and such effortlessly ringing top notes are much to be treasured in these days of dire tenor shortage. Ingvar Wixell still fails to find much aristocratic relish in Scarpia; his police chief is a thug, no more, and thus rather boring.

Eric Garrett's Sacristan, every gag polished to perfection, was rightly a success with the audience, and John Dobson repeated his vivid Spoletta. The Zeffirelli decor is still just about standing up, though the Castel Sant'Angelo's tilt to starboard is worrying.

Ballroom/Stratford East

Martin Hoyle

Robert Pugh's new play is described as "humour and intrigue in the Welsh valleys" but the prevailing tone of nearly three interminable hours of atrocious ineptitude is of truculent nagging, petulant carping, whining reproach and embittered invective. After two and a quarter hours a woman asks her husband: "Would you say we are happy?" which I found the funniest remark in the whole dire experience; by which time the audience was stunned into lethargic resignation.

The author, who recently played a psychopathic gunman in a television soap opera, lacks such basic requirements as being able to decide whether he is writing limp domestic comedy, a probing study of sexual relations, poetic drama or political propaganda—and sticking to one of these. He is unable to remember what his *characters are from scene to scene*.

The evening's chief interest lies in numbly wondering how much further the playwright can protract his rambling doodles, and what prompted the Theatre Royal to put them on. A middle-aged husband goes dancing at the Top Rank in Cardiff without telling his wife. She finds out. Two years later she is still swearing at him. He has acquired a deaf-aid, an asset in the Welsh valleys.

There are an old barridan and a figure of fun — part aspirant intellectual, part clown and part loony who leaps round naked at the end as Debussy's faun. "They may as well dam up the valleys and flood them," remarks the young drop-out with characteristic cheerfulness. If this is a typical product, they may indeed.

Baudo's Berlioz/Festival Hall

David Murray

Berlioz's *Roméo et Juliette remains a great missed opportunity* for concert performers: its odd amalgam of full-blooded opera for Friar Laurence and ranks of Capulets and Montagues, and purely orchestral music—but surely danceable?—for the lovers. Pending an inspired opera-ballet treatment, concert performances are still very welcome; and on Monday night Serge Baudo led the BBC Symphony and Singers in a satisfying and generally stylish one.

The orchestra was alert enough to brave the hazards of the instrumental Queen Mab scherzo with verve, and Kim Begley made a good shot at the vocal version (nobody knows why Berlioz decided to supply two settings) with semi-chorus. Appearing at short notice, Sarah Walker sang the prelude and "Premiers transports" gently and plangently. Jules Bastin brought so much frank character to the good Friar's final admonitions that one forgave his internal rhythm and a habit of running ahead of the beat—but I suspect Van Dam's recorded Friar (with Ozawa), sternly magnificent, is more what Berlioz had in mind.

Baudo preserved just proportions for the score, which was performed without an interval, and he was rewardingly careful with orchestral detail. The hectic excitement and despair of the tomb scene was captured vividly, missing only the touch of high-register hysteria that French orchestras can add to it. On safer ground, with the chorus rising eagerly to the chance to make a really solid noise at last, the grand reconciliation was duly imposing.

English Brass/St John's

Andrew Clements

The Albany Brass Ensemble has been reborn; the personnel are unchanged but they have broadened their horizons and now call themselves the English Brass Ensemble. Their concert at St John's, Smith Square on Monday was decently full, a fact *demonstrating* again the power of brass groups to draw an audience when other combinations might well have struggled to attract a quorum.

The concert was to have included three first performances but those by Vic Hoyland and Tim Souster fell by the way, and only Edward Shipley's *The Devil's Picturebook* for brass quintet survived. Musical portraits of figures from the Tarot, it proved thematically unmemorable and texturally congested, running through the gamut of brass effects without any real purpose. There was a good deal more substance in John Harle's unprepossessing *Miles and Miles* for brass and percussion, an engaging fusion of jazz gestures with a fully worked out and tightly organised *formal plan*.

Michael Rosenzweig's untitled piece for solo vibraphone and Bo Nilsson's *Bass*, for amplified tuba, gongs and tamtam provided variety of a kind.

Shostakovich's Seventh String Quartet survived its transplant to brass quintet surprisingly well, but Weber's Clarinet Quintet was rather less successful. The combination of brass and a solo woodwind is not a happy one to my ears, but both the sweet-toned fluency of Michael Collins and the remarkable ability of the English Brass consistently to transcend the traditional limitations of their instruments almost made it seem convincing.

Booker Prize judges

One of the regular fiction reviewers for the *FT's* Saturday books page, Isabel Quigly, will be judging this year's Booker McConnell *Prize for Fiction*. Her colleagues on the panel, which has just been announced, are: Anthony Thwaite (chairman), Gillian Reynolds, Edna Healey and Bernice Rubens.

This is the first time in the history of the award that women have been so strongly represented on the panel. The short list of six titles will be announced in the middle of September.

Delaying move for Chess

The previews of the musical *Chess* have been postponed by five days. Instead of the scheduled try-outs from today, the show—written by Tim Rice, —Ulvaeus and Benny Andersson Bjorn will open to the public at London's Prince Edward Theatre on the Bank Holiday of May 5. Malfunctioning of the complex computerised scene-changes has entailed reverting to manual controls, requiring extra rehearsal time. Both Trevor Nunn, the director, and the producer Robert Fox have emphasised that apart from the technical problem the piece is *fully prepared both musically* and theatrically.

The cancellation of a royal gala in aid of charity will be covered by a donation and another charity performance later in the year. The show, starring Elaine Paige, Murray Head and Tommy Korberg, is already known through concert performances and record sales. Advance box-office taking so far total £2.5m.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

April 25-May 1

NEW YORK

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's *Public Theater* for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Philadelphia Story (Arena): Elinor Renfield, who last directed Peter Nichols's Passion Play here, takes on the Philip Barry American classic about a headstrong debutante whose society wedding draws the press to gawk. (488 3300).

CHICAGO

Happy Days (Goodman): The Goodman company celebrates Samuel Beckett's 80th birthday with the playwright's bleak view of the world, interpreted by the Romanian-born director, Andrei Belgrader. Ends May 11. (443 3800).

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Cats (Shubert): The national tour has stalled here while the T. S. Eliot lyrics and Andrew Lloyd Webber tunes take extra time with an extended run. Ends May 31. (977 1710).

TOKYO

West Side Story. The Japanese version of Shiki Company, Japan's leading musical production company, best-known for their Japanese Cats. Directed by Keita Asari. Nissei Geikijo, Hibiya. (503 3111; 320 4000).

Fiddler on the Roof: Directed and choreographed by Sammy Bayes, starring Hisaya Morishige as Tevye. This is the acclaimed Japanese production, which with annual revivals makes it Japan's most-played musical. The Japanese cast capture the vivacity of the original better than do most Westerners. *Imperial Theatre*, Hibiya, close to most hotels. (213 7221).

Noh: Performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion at major hotels. Two handy little books, A Guide to Noh and Guide to Kyogen in most hotel bookstores and at some theatres gives summaries of plots.

LONDON

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author *Ken Ludwig* set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

Rowan Atkinson (Shaftesbury): New revue starring rubber-limbed clown with a strong line in scatological satire and rude sketches, many of them reflecting British classroom tyrannies. (379 5399)

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with *Alan Bleasdale's Elvis Presley* show using flashback and excellent live recreations of the rock and roll *hits to explain how Martin Shaw's* magnificently wrecked and flabby King in crushed velvet jumpsuit has reached *this pretty pass. Exploitative*, but not strictly for tourists. (836 2294).

Saleroom/Antony Thorncroft

Hatcher's bonanza

The Christie's sale of Captain Hatcher's finds from the South China Sea proceeded apace at Amsterdam yesterday, yielding another £363,688 in the morning session, for a running total of £2,923,516, and everything sold. The total is not far off the auctioneers' cautious estimate for the week as a whole, showing what publicity can do in attracting buyers.

Top price in the morning session was £7,567 for a porcelain-encrusted metal sphere, which was probably a cannon ball which had fallen from the deck above, but was so overlaid with marine sediment in 235 years that it was almost *invisible. It had been estimated* at just £400, but since it summed up the Hatcher wreck so powerfully it was much sought after.

Hatcher had overlooked the cannon from the wreck of the Geldermalsen when he has made his first sortie of its contents last year, but he returned this spring and came up with two bronze cannons which sold for £21,945 and £14,108 respectively.

The whole auction has far exceeded expectations and prices continue on average at five times the forecast. But the gold ingots which came under the hammer on Monday night did even better, one selling for £53,297, far in excess of its *bullion* value, and another for £40,756 to Mr Ong, who is one of Captain Hatcher's associates in the recovery of the wreck.

The constant saleability of paintings of game birds was confirmed at Christie's yesterday when a watercolour of a cock and two hen pheasants by Archibald Thorburn, painted in 1902, sold to a buyer on the telephone for £23,760, as against a top estimate of £12,000.

An attractive scene of a boating party at Cookham by Hector Caffieri a contemporary, and follower, of Tissot, also did *well, making £17,280 — well* above the £10,000 top estimate. The sale totalled £162,820 with 11 *per cent* unsold. The pretty rural scenes of Helen Allingham remain popular: a watercolour of Netley Farm at Shere made £5,400, on target.

At the Sotheby's book auction, the London dealer Burgess paid £3,960 for David Roberts' *Egypt and Nubia*, three volumes with 118 views, published 1846-49.

A rare and valuable King's Messenger badge of the early *18th* century comes under the hammer at Phillips on July 4. In 1762 the Lord Chamberlain decreed that all such badges should be melted down when the messenger's term of office ceased. The rarity of the item means that it could sell for £12,000. The King's Messenger's duty was to carry documents at home and abroad.

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Wednesday April 30 1986

Disaster at Chernobyl

THE NUCLEAR accident in the Soviet Union is emerging as a tragedy for the Ukraine and for the ideal of the safe and peaceful use of nuclear energy around the world.

The failure in March 1979 of the reactor at Three Mile Island in the US led to a moratorium on nuclear power plant construction in the US and heightened inhibitions towards nuclear energy everywhere. Yet even after Three Mile Island it remained possible to insist that no-one had been hurt by problems in an atomic power station and that the safety systems had just held.

The disaster at Chernobyl has broken new and fearsome ground. People have been killed. An uncontrollable fire is raging at the power plant. Nuclear fuel has boiled into the atmosphere. Radioactivity has been wafted thousands of miles into neighbouring countries. The dreaded melt-down of the fuel-core, which fail-safe systems are meant to make impossible, has apparently occurred.

Special case

There was a lack of candidness in the early stages of the emergency at Three Mile Island and this secrecy, even if due mainly to disorganisation and uncertainty, did the US nuclear industry's image no good at all. Yet it was nothing compared with the official obfuscation that has surrounded the events in the Ukraine. It took the atmospheric sensors of the Scandinavian countries to blow the whistle, and even then Moscow did not come clean.

As the fire in the reactor has taken hold, the Soviet Union has been driven towards an openness born of desperation. Sweden and West Germany have been asked if they know how to fight such a thing. But this call for camaraderie and co-operation comes far too late. Anyone with doubts about nuclear power has noted that a government guaranteeing nuclear safety has first tried to dissemble and then had to admit its impotence. The Soviet Union this time. Who next?

The Soviet Union is of course a special case when it comes to lack of honesty and this was a special reactor, part of the function of which was to produce plutonium for military uses. But this makes the disaster only a more extreme example of a general truth. The safety of nuclear power stations is governed by national rules and engineering customs, yet the consequences of faulty design or maintenance are not confined by national frontiers. Fall-out crosses them — luckily the wind last weekend was not blowing straight from Kiev into East and West Germany. The fall-out of fear also undermines a source of power that now provides one third of the EEC's electricity.

The International Atomic Energy Agency is dedicated to "accelerate and enlarge the contribution of atomic energy to peace, health and prosperity." Yet the main thrust of its activities is to prevent the proliferation of nuclear weapons rather than to raise the safety standards of nuclear plants around the world.

Nice though it might sound, there is no question of the IAEA's 112 members empowering the agency to become a global nuclear safety inspectorate. Even if the industrialised nations could reconcile their very different approaches to reactor design, it would be a military-civilian hybrid such as Chernobyl that remained off-limits to the agency and made a nonsense of such a systemic answer to the threat.

Yet just as this disaster promises to demolish old frontiers of secrecy and ideology by demanding an international hunt for a solution, so it should greatly reinforce the readiness of the nuclear-power nations—and the USSR in particular—to be open with each other on civilian nuclear matters and to use the IAEA as a clearing house for approaches to nuclear safety.

Open discussion

Chernobyl is moreover a dramatic test of Mr Gorbachev's good intentions. Will the traditional Soviet aloofness and knee-jerk secrecy prevail, both without and within Russia? Or will there be a new openness, reflecting the way nuclear energy has become vital for the western regions of the Soviet Union, just as it is for western Europe, and the great importance of sustaining public confidence in it?

So far, this test has not got off to an encouraging start. The Chernobyl accident appears to have made a reality of the "worst case senarios" that nations must accept if they opt for the many advantages of nuclear power. It is going to require a rapid mastery of the crisis at Chernobyl and very open discussion of its special causes and implications for nuclear power to remain politically acceptable in much of the western world.

The oil price threat to coal

MR IAN MacGREGOR, the National Coal Board chairman, did his best yesterday to play down the consequences for his industry of the collapse of oil prices. Customers, he remarked, should realise that there was no possibility of a "melt down" at the NCB which, he said, would henceforth be known as British Coal (the sort of name that inspires hopes of privatisation).

In spite of the closure of 27 collieries which could no longer produce profitably, a 20 per cent reduction in manpower and a substantial improvement in productivity, British Coal's future still does not look untroubled. While the NCB has been struggling to achieve a cost base which would have generated profits in 1984-85, the world economy has moved on: the price of oil has fallen by about 50 per cent. The challenge now is not merely to match the productivity of foreign coal producers but to remain competitive against other sources of energy.

The fall in the oil price has accentuated an old problem: how to ensure that coal is treated as far as possible like an ordinary business. Most industries—from textiles to electronics — frequently face changes in the price of competing products. To stay profitable, they have to respond flexibly to changing market pressures.

The UK coal industry, however, will remain insulated from commercial realities until its biggest customer, the Central Electricity Generating Board, is given more freedom. The CEGB should be able to choose between domestic coal, foreign coal and oil on their economic merits, which are presumably price and security of supply. There is nothing wrong in British Coal pointing out that petroleum is a finite resource and that its price is bound to rise; this is a consideration any energy consumer should bear in mind. The point is that the CEGB should be able to make an unfettered assessment of competing energy sources.

If this were possible, there seems no doubt that British Coal would either have to accept a sharp erosion of its share of the UK energy market or lower its prices substantially. Indeed, even with much lower prices, its market share might be expected to decline slowly as it did between 1950 and the early 1970s when the formation of the Opec cartel provided a temporary breathing space. Recent analysis by the London Business School suggests that the impact of lower coal prices on employment and pit profitability would be severe.

If the coal price were allowed to fall to, say, £35 a tonne (which, historically, would still be very high relative to the prevailing oil price), a wave of pit closures would be required on the scale of those already achieved. This also assumes no increase in wages in the industry and productivity at the record levels attained in the first quarter of the year. If the price were allowed to fall to £30 a tonne, the LBS calculates that profitable production would be possible only in a few of the new "super-pits": a rump of about 30,000 miners would be producing only a quarter of today's output.

Explicit subsidy

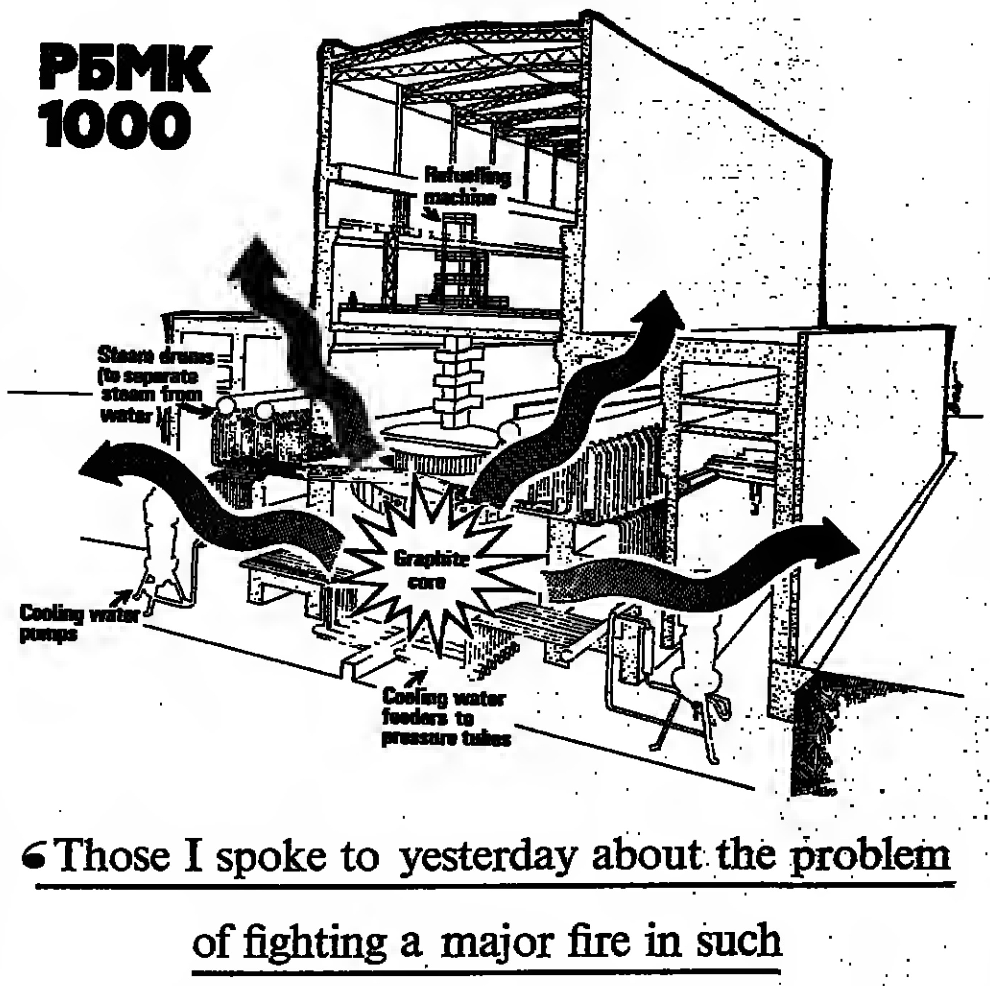
Such adjustments might not prove necessary even in a free market. In practice, consumers tend to transfer to different energy sources slowly and there is considerable uncertainty about future oil prices. The important point is that the Government should be prepared to let UK coal prices move down freely: this is the only way to ensure that energy consumers—particularly manufacturing industry—benefit fully from the demise of Opec.

Such a commitment to efficient pricing would not prevent action to cushion the social consequences of a further contraction of the coal industry. The Government could either give British Coal an open and explicit subsidy to allow it to keep open uneconomic pits or it could give redundant miners more generous benefits and retraining allowances. The least efficient way to help miners would be to allow British Coal to charge uneconomic prices and oblige domestic consumers such as the CEGB to pay them.

THE CHERNOBYL MELTDOWN

Russia's dangerous secret

By David Fishlock, Science Editor



NEPTUNIUM was the clue which told the Swedes on Monday that the radiation drifting across their country had come from an accident in a reactor rather than from a nuclear weapon test. Neptunium is a short-lived step in the transmutation of uranium into plutonium, something that takes place in every reactor fuelled with uranium.

After initial denials that anything was wrong, Moscow was obliged to admit that there had been an accident to a reactor at Chernobyl, north of Kiev in the Ukraine. Radiation released had been blowing north-west towards Finland and Sweden and, by yesterday, was drifting away to the north of Norway.

By yesterday morning, the full horror was beginning to emerge. The Russians asked first the Swedes then the West Germans for help in fighting a fire at Chernobyl. The Swedes already knew that the radiation they were receiving contained a full spectrum of nuclear fuel ingredients, including uranium, which suggested a very hot fire.

The fuel at Chernobyl is a ceramic, uranium oxide, with a melting point of the order of 2,865 degrees C. It has been fused and then vaporised by a barbeque of thousands of tons of blazing graphite (known as the moderator) forming the core of the reactor. No one in the world, so far as is known, has experience of fighting a nuclear fire of this ferocity.

Chernobyl is the site of four units of a type of reactor unique to the Soviet Union, designed originally as a dual-purpose reactor to produce plutonium for nuclear weapons as well as electricity. This reactor is known as the RBMK, which stands for a water-cooled, graphite-moderated system.

The PWR is the dominant reactor in the West and the reactor of choice among developing nations. Britain has taken the Westinghouse version of this reactor as the basis of its "British PWR" design proposed for Sizewell in Suffolk. But the PWR has also suffered a serious meltdown accident at Three Mile Island in 1979, although no one was injured physically by it.

The presidential commission which investigated this accident concluded that "while equipment failures initiated the event, the fundamental cause of the accident was 'operator error'." It pointed out that, had the operators maintained emergency core cooling throughout the early stages of the accident, it would have been merely "a relatively insignificant incident." Instead, seven years later, they are still trying to clean up the radioactive mess.

The RBMK owes its origins to the US plutonium production reactors built at Hanford in the far west of the US during the Second World War. They comprised a massive pile of graphite penetrated by rods of uranium, to be transmitted by nuclear fission into plutonium. The whole edifice was cooled by the Columbia River; cold, clean water that flowed through a network of cooling channels in the core.

When, after the war, Britain sought to make its own plutonium it was concluded that this reactor concept was too risky for anywhere on a congested island closer than the Western Isles of Scotland. The military authorities settled instead for an air-cooled, graphite-moderated design of plutonium "pile," at Windscale in Cumbria. Ironically, it was one of these piles which suffered the first major nuclear accident, when its graphite overheated and set fire to 40 tonnes of uranium in 1957.

The Soviet progenitor of the RBMK is the 5Mw Obninsk reactor, claimed by the Russians as the world's first nuclear power station. It was coupled to the Moscow grid in June 1954, a year before the UK's much bigger Calder Hall station produced power.

Over the next three decades, the Russians developed their Obninsk reactor in a series of steps—100, 200, then 1,000 Mw. They have built at least 14 RBMK-1,000 units, first near Leningrad, then at Kursk, Chernobyl and Smolensk. They have also commissioned the first RBMK-1500 at Ignalina, and talked of plans to expand to a 2,400 Mw unit.

The Soviet Union, from the 1950s, planned two arms to its nuclear power programme, one based on Obninsk and the RBMK, and the other on the Russian version of the pressurised water reactor, developed initially for its nuclear submarine programme. The two arms were intended to advance in step, but the Russians evidently found the RBMK easier to manufacture, and it drew ahead in installed nuclear capacity. The PWR is now catching up.

But the RBMK is a modular system, in which the high-pressure core of the reactor is sub-divided into a large number of relatively small pressure tubes, instead of a single big pressure vessel, as in the PWR. The modular design gives the RBMK a high degree of flexibility as a plutonium production reactor.

To make the purest plutonium, the easiest kind from which to make nuclear weapons, uranium is "cooked" in the nuclear furnace for only a matter of weeks. The modular design allows each pressure tube to be tapped for plutonium independently. Such a reactor can be operated to produce optimum amounts of plutonium or power, or for some combination of the two outputs.

This facility for making pure plutonium had one important consequence for Russian nuclear policy. As a founder-member of the International Atomic Energy Agency (IAEA), along with Britain and the US, the Soviet Union was always staunchly in favour of discouraging the proliferation of nuclear weapons.

Its export policy for nuclear reactors permitted the sale overseas of its PWRs, both to East European countries and (in the case of Finland and Cuba) further afield. But it forbade the export of the RBMK.

Not only has the RBMK not been exported, the Russians have not been very forthcoming with technical data about their design. Moreover, when in 1984 they were discussing opening their nuclear plants for the first time to safeguard inspectors from the IAEA, they made it clear to the chief safeguard inspector that he would not get access to the RBMK.

A decade ago, however, when Britain was discussing the design of a commercial pressure-tube type of reactor, called the steam generating heavy water reactor (SGHWR), a team of British nuclear engineers led by Mr Jim Stewart and Mr Ron Campbell visited the Leningrad RBMK-1000 reactors.

Mr Campbell, now managing director of Babcock Power, then concluded that the RBMK was "more similar to SGHWR than is any other reactor"; the only major difference being that graphite is used instead of heavy water as the moderator. Otherwise, operating conditions for the primary reactor circuit were almost identical. The tubes and fuel cladding are made of zirconium: the fuel itself is uranium oxide, of about 2 per cent enrichment.

In the RBMK the pressure tubes, each containing a fuel assembly, pass vertically through a pile of graphite bricks. Pumps circulate pure water up through these tubes to carry away the heat of nuclear fission to the steam-raising plant, as the sketch indicates.

The two reactor types ran under almost identical conditions: 70 bar (atmospheres pressure) and 285 degrees C.

In the event, Britain abandoned the SGHWR as too expensive to engineer safely, compared with the alternatives of the British advanced gas-cooled reactor and the US PWR. To meet the safety standards set by these two, the SGHWR would have required an incredibly complex weave of pipework to ensure that every pressure tube could be provided with emergency core cooling if it should lose its main coolant supply.

Mr Stewart, chairman of the British Nuclear Forum, says he believes the Russians had neglected to make the emergency cooling provisions demanded by the British nuclear inspectors. He also points out that a problem first encountered by the Americans at Hanford was how changes in the graphite pile through irradiation could crush tubes and choke off the flow of coolant.

Graphite when irradiated stores up energy to a point where it is spontaneously released—the so-called Wigner release. Britain learned to control its effects by regularly annealing the graphite in its earliest experiments.

But it had not learned enough by 1957 to prevent the consequences of a Wigner release of energy setting fire to the graphite core of a Windscale pile.

The fire was finally extinguished by the decision of Windscale's director of operations to turn hosepipes on the inferno, at risk of cracking the concrete box around the pile, and releasing a much bigger cloud of radiation. The alternative was to let the fire burn itself out.

Whatever the cause of the fire at Chernobyl, the scale appears to be much greater than Windscale. The fuel is a ceramic with a melting point close to 3,000 degrees C. It must have melted for uranium to be falling upon Scandinavia. The reactor contains about 190 tonnes of this fuel, buried in 1,700 pressure tubes across the graphite core. It is reasonable to assume that there is already a substantial pool of molten fuel present — truly a reactor meltdown.

Boiling off this molten pool will be the plutonium (melting point only 640 degrees C) and highly radioactive fission products; the detritus of nuclear power production.

> Those I spoke to yesterday about the problem of fighting a major fire in such a reactor expressed nothing but horror at its magnitude. No one had any ideas

The Russians were confident enough of the integrity of their reactor designs to use no pressure containment — in effect, a pressure vessel enveloping the entire primary circuit of a reactor — for many years to retain emissions in the event of a reactor accident. Not until they scaled up to 1,000 Mw PWRs did they introduce a containment for this reactor. They have never seen the need for a containment for the RBMK.

So only a relatively flimsy concrete box stands between the blazing reactor at Chernobyl and the rest of the world. Their policy is to site the big reactors 40-50 kilometres from major population centres.

Those I spoke to yesterday about the problem of fighting a major fire in such a reactor expressed nothing but horror at the magnitude of the problem. No one had any ideas.

The Russians categorise a nuclear accident of the severity of this fire as a "maximum possible accident." Their safety precautions include arrangements for decontaminating anyone who may have picked up radiation on his clothing or skin (and a contaminated worker was found in Sweden on Monday, 1,000 miles from the fire). They also include limiting the consumptions of food that may have been contaminated. In particular, this means milk and dairy products from cattle which may be feeding on contaminated grass.

They also have arrangements for the distribution of iodine tablets, the only effective prophylactic measure against radiation which can be taken by mouth.

The point of the iodine is to saturate the thyroid gland in the neck, repository of most of the body's iodine, and prevent it absorbing radio-active iodine-131, an easily vaporised fission product released in a meltdown of nuclear fuel.

The most urgent priority must be to extinguish the Chernobyl fire, by means that minimises any further damage. Then the international community will be asking hard questions of Moscow about its obligations to neighbouring states and why it tried to conceal an accident with manifestly far-reaching consequences. Even by yesterday morning — perhaps as long as three days after the outbreak — the IAEA in Vienna had been given no information beyond the bare fact that there was an accident.

For the Soviet Union itself, it raises the initial question whether the cause of the fire was a fault in design which might be repeated, such as a failure of coolant to one of the tubes, or an accident while fuel was being changed. The answer could have repercussions for an electricity supply system which gets perhaps 6-7 per cent from this one type of reactor, not to mention its role in nuclear weapons.

But the gravest question of all that Moscow must face is whether the kind of containment required in nuclear installations in the West could have prevented radiation from spreading so far from the fire.

Men and Matters

Best of British Coal

With less than five months to go at the National Coal Board, Ian MacGregor yesterday spiked any temptation among his critics inside and outside the industry to write him off as a lame-duck chairman.

Choosing what could be a brief "weather window" between the miners' strike and the storms in the oil market, he announced that the NCB is to operate under a new name, and that henceforth he prefers to be known as the chairman of British Coal. To emphasise the point, he unveiled the new logo, tricked out in the NCB's present colours of blue and yellow.

"Where am I? When I went down it was called National Coal Board"

Since the board produces only British coal, he said, it had greater right to use such a title than, say, British Gas, which sells its customers a lot of Norwegian gas. It had nothing to do with eventual plans to privatise the coal industry.

The idea will appeal most to the NCB's hard-pressed marketing department, worried about the huge tonnages of cheap foreign coal lapping round Britain's shores. Its advertising has for the past two years been exhorting customers to "switch to British coal."

Striking an economical note, Norman Woodhouse, the NCB PR director, said the cost of the switch had not been estimated but that it would be carried out as cheaply as possible. Lorries would only be re-labelled when they were due for a repaint. And all the existing NCB notepaper would be used.

There would be no change in the NCB's official name, laid down at the time of nationalisation in 1947. Such a change would require legislation.

Even MacGregor, it seems, has his limits.

Jordan's style

Bill Jordan, elected yesterday as president of the engineers, Britain's second largest union, smiles with amusement at the way the Fleet Street tabloids pin on the labels. He has got used to being known for "his boyish looks" and as a "50-year-old grandfather."

The former shop steward, who left school at 15, does not need Saatchi and Saatchi to handle the media. As the right-winger with the radical ideas he has enjoyed a natural rapport with the press throughout his campaign.

At his Birmingham headquarters he faced the glare of the television cameras to sidestep politely what he clearly regards as trivial questions—his style of leadership, and how he would respond on the Terry Wogan chat show.

Questioned about his leisure interests he responded straight-faced: "If the press is to be believed I vary rarely step foot outside the Royal Shakespeare Theatre"—a reference to his much-publicised love of England's leading wordsmith.

But before the laughter had died down Jordan was delivering yet another speech about how management had to respond to change, the needs of working people and the challenge of the 21st century. Even his critics acknowledge he will bring a new style to national trade union leadership.

Still together

Spring was in the air yesterday when Joao Hall Themido, the Portuguese ambassador in London, launched an eight-month programme of events to mark the 600th anniversary of the Anglo-Portuguese alliance.

The oldest unbroken alliance in Europe was secured when 500 Welsh longbow men helped the Portuguese rebuff an invasion by Spanish troops in 1386. Its effect was still felt 300 years later when Catherine of Braganza became Queen of England following her marriage to a restored Charles II.

The Portugal 600 programme will have as its highlight a Thanksgiving service on May 12 in St George's Chapel, Windsor, in the presence of the Queen, President Soares, and the Portuguese prime minister, Anibal Cavaco Silva.

With Portugal now a member of the European Community the modern relationship is mainly about trade. The old ally was able to boast last year of a £257m trade surplus with Britain. The London celebrations will include seminars on investing in Portugal, and the merchandising in Britain of Portuguese goods.

The commemoration programme nearly didn't make it. Only a last-minute scramble by various Anglo-Portuguese associations saved the entire programme from meeting the fate of the Spanish Armada—which happened to assemble at Lisbon.

"If we had missed this year we would have had to wait another century," said one of the organisers with relief.

Jets age

I cannot think of a nobler cause, or one further removed from the grubbier aspects of modern living, than the newly-formed Fountain Society (already blessed by the Prince of Wales, its first president).

Rolling up its collective sleeves the society tells me that: a high jet is needed in the centre of Parliament Square, London, "classic, strong, and dramatic;" that the Duke of York's Steps will be nothing without a cascade down three levels of steps with supportive fountains and sculpture; and that there should be three splendid jets soaring to the skies in Park Lane.

A "cascade rather than a fountain" is proposed in a Byzantine sculpture setting outside the Roman Catholic Westminster Cathedral. Whereas a French classical jet is thought appropriate for Grosvenor Gardens, outside Victoria Station, to provide a suitable backdrop to the statute of Marshal Foch.

Thelma Seear, founder of the society says that in Britain, fountains "are the Cinderellas of our national scene."

She adds, presumably to the delight of Prince Charles: "But now Prince Charming bids us change all that and revive them for the delight of us all."

With the help of the Civic Trust the Fountain Society is determined that existing British fountains should be restored and new ones created.

The water industry, shortly to be privatised, must be well pleased.

Cover charge

"Labour's Future Policy" is the title of a talk advertised at a Norfolk club. To this someone has added: "Guess who will pay the premium."

Observer

Economic summits: they have their uses, but . . .

THIS weekend's economic summit is the twelfth since 1975 when Messrs Giscard and Schmidt first proposed one. Just how useful are these events?

The first summit, which took place against the background of the oil crisis, chaotic exchange markets and a loss of authority by the IMF, had a sort of success. It patched up the quarrel between the French and the Americans over the jurisdiction of the Fund in the matter of exchange rates and led to an amendment of the Fund's Articles. It gave a beneficial push to the tariff reduction negotiations in Tokyo. The outcome was at least not just a self-congratulatory communiqué.

With one exception it is hard to find a single subsequent economic summit which made any changes to the way the world's economies are run. That exception was the Bonn meeting in July 1978, which led the Germans marginally to expand their economy by a fiscal stimulus and the Americans to begin to control their energy consumption.

For the rest the summits have largely endorsed the policies of the majority of the participants—the pursuit of strong anti-inflation programmes based on fiscal and monetary restraint, the conservation of energy, the rescheduling of Third World debt, etc—and have made pious statements about the need to avoid protection and to reduce unemployment.

Though the summits have had little impact on economic policy, they are widely thought by their participants to have political value. This explains their continued existence.

When President Ford called the 1976 summit, he was facing a difficult re-election campaign and was vulnerable both on inflation and unemployment. Likewise President Mitterrand used the pageantry of the Versailles Summit in 1982 to capture the jaded public imagination in France at a low point in his political fortunes.

The unspectacular outcome of summits is for some a positive virtue, rather as the failure of Superpower political summits is greeted with relief by those who fear an arms control agreement.

The advocates of completely free markets, who believe that governments can only damage economic performance, are thankful that the annual meetings have been manufacturers of words rather than action. At best this school would have been prepared to see collective action to prevent disorderly exchange markets and to promote freer trade. They would have been aghast at any attempt, of which the first Bonn summit was a single example, to co-ordinate macro-economic policies or to subject national governments to any significant degree of international supervision.

This school had much influence in the years 1979-84. But recently, and particularly since the famous meeting in the Plaza Hotel last September, there has been a revival of the recognition that international economic collaboration is not a zero-sum game (and that the pursuit of purely self-interested economic policies may not be optional).

The high-water mark of international co-operation was reached in the 1950s and 1960s. That period saw the culmination of the work of the wartime architects of the IMF and the GATT in the dismantling of import controls and bilateral trade agreements and the establishment of a system of multilateral convertibility.

There were no summits in those days. The international collaborative process was handled as a technical matter and the meetings went unreported in the world's press. This was possible because at the political level there was no real disagreement about the value of collaboration and no disagreement at all about the objectives of economic policy. The memories of the "beggar my neighbour" policies of the 1930s were still fresh in the minds of Ministers and officials alike.

By Douglas Wass

The breakdown of belief in interdependence came with both doubts about the efficacy of macro-economic policy generally and the emergence of generalised floating. It was believed that countries could insulate themselves from the effects of the policies of their trading partners by setting domestic monetary targets and simply sticking to them. If country A inflated its economy country B would be little affected as A's currency depreciated and the real competitive position of each was left unaffected. Output in B was determined solely by its underlying potential for growth and inflation was fixed by the monetary targets. Why bother to collaborate?

The Plaza Hotel meeting and the Baker initiative suggest that these views are now on the wane. The way that the Americans have handled their fiscal policy has led to high real dollar interest rates, a huge and destabilising capital inflow to New York and, until recently, an absurdly uncompetitive dollar. Europe has not been able to insulate itself from these consequences by sticking to its monetary targets.

Its interest rates have been affected by the dollar; its banks are threatened by LDS (less developed countries) default which high dollar interest rates could cause; and it knows that the adjustment of the huge US trade deficit could cause it monumental problems.

The Americans have been brought to the recognition that the demand management policies of the European countries and Japan (however they are described) impinge critically on their own industries.

But the catalyst that has finally brought all the participants to recognise interdependence is the same as the one which worked in the immediate post-war era—fear. Just as Keynes and his American counterparts were fearful of the effects of generalised deflation, of competitive depreciations and of trade restrictions, so the modern policy makers have become worried—and rightly worried—that the status quo could lead to a collapse of the world trading system as we know it.

All this is a cause for celebration. But are we any nearer to a determination to do what needs to be done? Despite Gramm-Rudman, can we count on the Americans putting their fiscal house in order? Is there any hope that European governments will perceive that they have a contribution to make by putting more domestic demand into their economies? They have had a free ride on the US trade deficit for four years and they have to be prepared now to shoulder some responsibility for economic growth themselves.

As for the Japanese, they have got to open their markets and learn to live (as they did in the 1960s) with internally generated growth.

If these are the requirements, is the summit the right forum for seeing that they are met? In theory the time is more than ripe for political resolution of a set of problems which could easily become stuck in the grooves of national Finance Ministries. But one has one's doubts.

Mr Reagan has only limited room for fiscal manoeuvre given his commitment to defence spending and tax reductions, and it needs a complete suspension of disbelief to suppose that Gramm-Rudman is going to do the job for him. The Europeans have ideological objections to fiscal reflation. And the Japanese Prime Minister knows what internal political resistance there is to any government which wishes to promote foreign inroads into the home market.

So the scenario in Tokyo is probably going to be the familiar one. If the heads of government find time for anything other than terrorism, they will probably simply endorse the communiqué which their assiduous advisers have already written for them. Things have got to get worse before, internationally, they will get better.

Sir Douglas Wass was Permanent Secretary to the Treasury from 1974 to 1983.

Why the oil price fall may be good for the Saudis

SURPRISING AS it may seem, Saudi Arabians believe that the recession brought about by the sharp fall in their oil revenues will be good for them.

The view is striking because it runs totally against the conventional wisdom of Westerners in the Kingdom and of businessmen in the industrialised countries. But there is a strong case for taking it seriously.

The Saudis' argument is that the recession will make the economy more competitive by weeding out the inefficient—including those who relied solely on personal connections to win construction contracts—and by curbing some of the extravagance of Saudi society. They maintain, moreover, that the "pessimists" are wrongly applying Western standards to their current difficulties and that the country will emerge stronger than ever once these problems are overcome.

It is easy, of course, for foreigners to be sceptical.

The Kingdoms' oil revenues have fallen from $113bn in 1981 to a likely $16bn to $18bn this year. And while there is about $15bn of non-oil income, from foreign investments and domestic sources, foreign exchange reserves of $70bn, and no foreign or domestic debt, the position was considered bad enough for the budget, due in March, to be postponed for five months.

Some foreign contractors have left the Kingdom, and construction contract work has virtually halted. A handful of Saudi trading and contracting companies have collapsed, more have had to reschedule loans. The banks, which classify about 25 per cent of their loan portfolios as "doubtful," are making very slim profits or outright losses.

Europeans and Americans in the Kingdom are particularly exasperated by the Saudi's blithe lack of concern with the way the contracting business has collapsed and the way the courts, when judging cases of default on bank loans, follow the Islamic code of deducting all interest paid or due from the amounts they order debtors to pay.

They believe that the Saudis are being weak and unrealistic and that they are walking towards an unpleasant shock. If they are charitable and know the area well they ascribe the Saudis' attitude to the Arab belief that to state a problem is not to take the necessary first step towards resolving it, but to be impolite and obstructive.

But the Saudis' unity of purpose should not be underestimated. They are one of the world's most conformist and patriotic peoples. They all seem to think the same and speak the same, often echoing the views that have been made known at the top of the royal family.

One benefit of the recession should be a curb on the notorious Saudi extravagance. Women may stop buying 20 bottles of scent at a time (two or three for each bathroom), contractors should not buy new equipment for each contract.

The Saudis, meanwhile, say the problems of bank loans are exaggerated. Saudi bankers admit that if they applied Western criteria in deciding which loans to write off, their position would look terrible, but they say that Saudi society is different. They know that even if there are long delays, borrowers will eventually repay their loans.

By Michael Field

Above all, the Saudis say that the recession is helping them to take stock of the enormous changes that have occurred in the lives of their families in the last 12 years. The family and Islam, which are closely bound together, are acknowledged by all Saudis and by the government to be the most important aspects of national life. Anything that strengthens them must be beneficial.

There is widespread relief, for example, that the recession has brought about the departure of over 1m foreigners, who exerted an alien cultural influence. In the early 1980s there were more than 3m foreigners in the Kingdom and 5m Saudis.

With work less easy to come by the government has stopped paying overtime and is not expanding its payroll while private businessmen are employing fewer drivers, messengers and doormen—and young Saudis are finding clerical and technical jobs attractive for the first time.

A few years ago the vocational training centre established by E A Juffali and Brothers, the biggest private trading and industrial group in the Kingdom, found itself having to take some non-Saudi trainees. Now, the company says, it has 10 times more Saudi applicants than places.

This does not mean that old attitudes have been swept away.

Nor has there been much change in the government's policy of encouraging its citizens to look upon it as a benefactor rather than as an institution which they have some duty to support. Water, electricity and petrol are still enormously subsidised.

What is happening is that Saudi Arabia is making rather inconsistent progress towards becoming a "normal" economy—not just an enormously attractive market for Western exporters, but an economy that might be able to produce goods that will compete with imports on its own ground.

The costs of building and running industries have fallen by up to half—mainly because of much cheaper real estate and rents and a reduction in the cost of labour and labour overheads.

The businesses that will benefit from this in future are not so much the massive petrochemical and refining companies in the industrial cities of Jubail and Yanbu, but private companies that are establishing themselves in foodstuffs, certain types of building materials, machinery maintenance and minor consumer items.

Part of the change under way in the Kingdom is a structural one. Businesses can no longer gear themselves just to government construction and operation and maintenance work; they are having to provide goods and services to private sector companies and individuals.

Already some businessmen have started to adjust. It is not difficult to find companies — mostly the conservative ones which expanded without much borrowing — which say that they have cut their costs and improved their profits this year. They are now looking, very cautiously, at new investment ideas.

The Saudis concede that for most of their fellow producers the fall in oil prices may be a disaster—through exacerbating their shortage of foreign exchange, for example—and this may present the Kingdom with political problems if its friends become less stable and its enemies blame it for their misfortunes.

But possibly more important the reduction in the Kingdom's revenues should help create the modern diversified economy that has been the government's objective for the last 20 years.

Ten years ago there were economists who argued that for some Opec countries—Iran was the one they referred to most—the price rises of 1973-74 had been a disaster. They made the economies more dependent on oil revenues, stimulated inflation, damaged the competitiveness of new industries and agriculture by raising costs, and destabilised society.

Now it might be logical that for one or two countries—most obviously Saudi Arabia—a fall in oil prices could have an opposite effect.

Letters to the Editor

Expensive to work

From the General Secretary, General, Municipal, Boilermakers and Allied Trades Union

Sir,—The suggestion by Mr D. G. Franklin (April 23) that it is impossible to persuade people to work for £100 a week or less demonstrates yet again how totally much discussion of this topic has lost touch with reality.

The fact is that there are already over 3m people in this country working full time for £100 a week or less while daily experience shows that anyone advertising new jobs at this level, or even much lower levels, will be deluged with applicants.

Mr Franklin's suggestion that people working for £100 gross would be worse off than if unemployed is equally wide of the mark. For a single person £100 gross is equivalent to about £70.02 net, after deducting £9 national insurance, £15.98 income tax and £5 travel expenses. By contrast, a single unemployed person living in a council flat and paying rent and rates of £20 could expect a total benefit income of £49.50; a considerable more realistic figure than Mr Franklin's £70. Some with higher housing costs would get more but many others, particularly those living with relatives would get very much less.

For a couple with children the gap would be narrower but still significant. Mr Franklin's figures show clearly that he has failed to take account not only of the family income supplement and housing benefit available to a low-income family in work but even of their child benefit.

The suggestion that "there are some 500,000 vacancies which no one is willing to fill at this moment" is apparently based on a fallacious use of figures. This number may be a reasonable estimate of the number of vacancies existing at any moment but this is essentially a measure of the turnover of jobs, not of the number of jobs, if any, which are permanently unfillable.

It is worth pursuing these points in detail because they help to illustrate a fundamental logical flaw in the position of the Government and its apologists. The Government is in fact keenly aware that the vast majority of people in this country are desperately anxious to work at almost any price. This awareness lies behind its policies of depressing the lowest wages in the public sector and of stripping away existing protections for the lowest paid in the private sector. To claim at the same time that people are being "priced out of jobs" by the effects of taxes and benefits demonstrates a profound level of hypocrisy, conscious or unconscious.

John Edmonds,
Thorne House,
Ruxley Ridge,
Claygate, Esher, Surrey.

US, Japan and semiconductors

From the Director-General, Electronic Components Industry Federation.

Sir, — Mr Clayton Yeutter, US Trade Representative, April 25 writes about the US/Japanese discussions on unfair trading of semiconductors, as did Mr A. Procassini, president of the US Semiconductor Industry Association (March 21).

Both expressed some recognition of the interests of "third countries" in this matter, and this federation finds it strange that such discussions should be taking place between the American and Japanese semiconductor industries, as well as Governments, without consultation with "third country" industries, such as those of Europe including the UK.

It is no less strange that neither the EEC Commission nor the British Government has received any information on these discussions from the US (or Japanese) Government: in fact the columns of the Financial Times seem to be almost the only source of information about them.

This federation, and the European Electronic Component Manufacturers Association (EECA) of which we are the UK member, would appreciate full information about what sort of agreement is under discussion between the US and the Japanese, and we suggest that arrangements should be made for direct participation by European and other third country industries in the negotiations from now on.

Richard H. W. Bullock,
7-8 Savile Row W1.

Bonanza for lawyers

From Mr T. Tarring

Sir,—Your article of April 22 about the last minute rush to register under the Data Protection Act is a reminder of what a depressingly British piece of legislation this is. With its hair splitting and preciosity, the Act looks set to provide a lawyers' bonanza for many years to come. More immediately, the requirements of registration are likely to prove so off-putting to those who grapple with the process that at the margin there will surely be many who decide that it is easier not to computerise (or even to revert to manual records) rather than move with the 20th century, computerise their records and get caught in the spider's web of the Act.

What a contrast with the attitude in France where the Government has issued 1.5m Minitels free to stimulate computer literacy and encourage the productive use of databases and networks (not, be it noted, silly games).

T. J. Tarring,
St Georges Hill, Weybridge, Surrey.

Charities and the Finance Bill

From Mr F. Hayes

Sir,—In Press releases accompanying the Chancellor's Budget speech we were told that a small minority of charities were abusing the system to the "prejudice of the selfless and dedicated work of the vast majority of genuine charities and their supporters" and that the Finance Bill would include measures to check such abuse. Having studied these measures I was appalled to find that far from leaving the vast majority of charities unaffected it is only likely to be a minority that will escape the effects of the new clauses and only then if they are happy to pay professional fees to monitor their position continuously.

Clause 29 of the Bill penalises "private indirect charities." Among the seven pages of convoluted rules describing the meaning of this term it is prescribed that if five people, quite independently of the charity or each other, put up 25 per cent of its funds in any single year the charity must expend its receipts in that year or lose its tax exemption. Worse still it cannot attract deeds of covenant. Appeals therefore which cannot meet their targets in a short time, for example a new wing of a local hospital when it can take 18 months to get planning permission must avoid seeking substantial donations, or accumulating their income for the purposes of meeting the appeal's target, or risk losing their tax relief.

It is particularly galling to read these kinds of rules in a document which gushes about avoiding prejudice to "selfless and dedicated" work. The truth is that the draughtsman's narrow pursuit of imaginary tax avoidance has been allowed to run on out of all political control.

F. B. Hayes,
Coopers & Lybrand,
Plumtree Court EC4

Four minutes of purgatory

From Mr D. Revie

Sir,—The address of Dr G. Redman, who wrote (April 23), proposing that the Waterloo and City line should be extended to become the desired through route to the docklands redevelopment area, suggests that he himself does not have to travel on this line to and from work each day—otherwise I doubt he would be putting forward that idea.

The Waterloo and City line, the famous "drain," carries a very large number of people each day in a very concentrated form, compressed into two relatively brief periods. It manages to do this, with just one line each way and relatively short trains, by being a "one-stop" shuttle, arriving empty at the starting point and disgorging all at the other one. Thus the passengers can arrive at the starting point at the precise time they know they need to in order to form their orderly lines and then cram themselves onto the trains, in the knowledge that they have four minutes of purgatory and then arrive at their office on time, or — more critically for the point I am making—catch their desired train home.

Imagine what will be the effect on these hordes of—homeward bound — travellers when they arrive at Bank station to find the trains, one after another, arriving from dockland already full? Enormous delays, lost trains home, frayed tempers, etc. On the journey to work at least both City and dockland workers would be starting equal, but the possible increase in numbers and the need to get out of a packed train at two different stops would undoubtedly cause chaos then too. I would predict in those circumstances a mass change to other, less satisfactory and convenient, means of transport for City workers from Waterloo.

No, the "drain" works, and works remarkably efficiently considering its antiquated state, simply because it is a "one-stop shuttle" and any attempt to tamper with that would, in my opinion, destroy it. The only possible way I could imagine Dr Redman's suggestion perhaps working is if the trains were doubled in length (or became double-deckers?) and occupied on a segregated basis, with passengers to/from the Bank in one half and to/from the docklands in the other, and unable to get on/off at each other's platforms.

David M. Revie,
Ashford, Middlesex.

FINANCIAL TIMES
Wednesday April 30 1986

PROPOSALS LIKELY TO EXCEED EEC MINISTERS' BUDGET LIMITS

Brussels finalises cash demands

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission is today set to finalise its cash demands for a supplementary budget in 1986 and a full budget for 1987 certain to exceed the spending limits fixed by EEC finance ministers.

Angry Commission officials yesterday condemned the budget discipline rules laid down by the ministers on Monday as "bearing no relation to reality." The figures imply a large real cut in social and regional programmes, which are heavily over-committed as a result of past promises made by budget ministers.

Mr Henning Christophersen, the Budget Commissioner, will today propose a supplementary budget for 1986 already including substantial cuts in both farm spending and in the social and regional funds, in order to remain within the limit on EEC revenues.

The 1987 figures, however, are likely to defy the budget discipline rules while remaining inside the revenue limit of a 1.4 per cent VAT ceiling (the theoretical formula for member states' budget contributions).

The irony facing EEC budget officials is that their revenue and spending estimates have been hard hit by two important factors otherwise regarded as benefits for the European economies: the fall in inflation rates and the decline in the US dollar.

Declining inflation means the revenue from the 1.4 per cent VAT ceiling in 1987 must be cut back by several hundred million Ecus. The latest revenue estimate of Ecu 30.34bn ($38.5bn) includes VAT and customs duties and levies, the other main source of EEC income.

At the same time, the falling dollar adds hugely to the cost of export subsidies on farm products. The supplementary budget includes a figure of some Ecu 850m to pay for that, and the Commission admits that a further decline in the average Ecu-dollar rate to the present level over a full year would add another Ecu 650m.

Mr Christophersen's supplementary budget for 1986 will be kept to Ecu 2.55bn, the amount of cash left within this year's VAT ceiling, by pruning or postponing Ecu 896m in farm, social and regional spending.

Some Ecu 478m of the forecast farm spending needs will be kept out of the budget, and Ecu 419m from the social and regional funds, according to Commission officials.

The finance ministers are calling for an absolute limit on spending of Ecu 35.3m in 1987

Oslo Government faces crucial vote

BY FAY GJESTER IN OSLO

NORWAY appeared to be heading for a change of government after a decision by the main opposition Labour Party to vote against the emergency package of economic measures proposed by the Conservative-led minority coalition.

Mr Kåre Willoch, the Prime Minister, had warned that his government would resign if the package was defeated. The vote was not expected to be taken until late in the evening.

The prospect of Labour's return to power sent share prices plunging on the Oslo stock exchange, continuing Monday's decline. A further NKr 3bn–NKr 4bn ($435m–$580m) was knocked off share values.

The two parliamentary representatives of the small right wing Progress Party, who usually vote with the Government, thus giving it a majority, said in yesterday's Storting (parliament) debate that this time they would be voting with the opposition.

The Progress Party objects particularly to one of the Government's proposals – for an increase in the tax on petrol. Its leader, Mr Carl Hagen, said that by turning approval of a petrol tax increase into an issue of confidence, Mr Willoch has clearly shown that he wanted his Government to go – "and we are going to help fulfil his wish."

Labour had had a hard time the previous day reaching its decision to reject the coalition's proposals, which had been amended to include provisions, such as tougher taxation of share dealing profits specifically designed to win the party's approval.

Monday's discussion of the package by Labour's parliamentary group lasted from 8pm until almost midnight. The Labour members finally decided, however, that the changes did too little to shift the burden of extra taxation – needed to offset the fall in petroleum revenues – on to the country's wealthiest citizens. They claim that incomes inequality in Norway has grown under the coalition's five-year rule, and that it is now time to redress the balance.

After that verdict, Mr Willoch repeated that if the vote did go against his Government, he would resign and advise the King to ask Labour's leader, Ms Gro Harlem Brundtland, to form a new cabinet.

Ms Brundtland has said she is willing to accept that responsibility, but points out that it will be impossible for Labour to govern unless it gets at least passive support from one of the two junior partners in the coalition. It has only 71 seats in the 157-member Storting. So far neither of the two – Christian Democrats or Centre – has indicated that it would provide such support.

Should a minority Labour government be appointed, and promptly defeated, a possible successor might be a mini-coalition of the Christian Democrat and Centre parties, with passive support from either or both the Conservative and Labour.

● Mr Arne Treholt, the Norwegian former diplomat and politician, last year convicted of spying for the Soviet Union and Iraq, was present as a spectator when Norway's supreme court yesterday started hearings of his appeal against the 20-year jail sentence he received from a special tribunal of seven judges – there is no jury, in a Norwegian treason trial.

UK loses a year's gas supply in revision of reserves

By Dominic Lawson in London

THE BRITISH Government yesterday revealed that it had cut its estimates of the UK's gas reserves by the equivalent of a year's consumption.

The figures, given in the Energy Department's Brown Book – its annual review of UK oil and gas developments – mark a sharp reversal of the previous year's trend. A year ago energy ministers used an upgrading of 6.2 trillion (million million) cubic feet to 64.6 tcf in UK proven and probable gas reserves, as justification for its veto of a British Gas' plan to buy 7 tcf of gas from Norway's Sleipner field.

Now the UK's reserves have been marked down by 1.8 tcf to 62.8 tcf, in the wake of disappointing results from a number of gas appraisal wells.

Mr Alick Buchanan-Smith, the Energy Minister, said yesterday: "I asked a lot of questions when I saw these figures. But they make no difference to our views on the wisdom of importing gas. We still believe that we can meet domestic demand well into the 1990s from UK production."

British Gas said yesterday: "We are studying the figures with interest. Our overriding role is to ensure that our customers will have gas when they want it."

The decline in the gas reserves is partly because some reservoirs in the southern North Sea are not as good as they appeared last year. Some of the gas condensate fields in the central North Sea also seem to contain less gas than the Government's geologists first thought.

That is purely a technical problem. But there could be economic problems in actually developing the condensate or "wet" gas fields. If oil companies do not see a major upturn in oil prices, they will not develop the fields, because the price they expect to obtain from the associated liquids will be seen as too low.

A detailed analysis of the southern North Sea and the Irish Sea – site of the Morecambe Bay gasfield – has at least resulted in an upward estimate of the amount of gas remaining to be discovered there. The range is now 7.7 tcf to 29.4 tcf, up from 6.5 tcf to 20.1 tcf last year. But the department warns that these are only broad indications and the most likely outcome is in the lower half of the range.

The Government's estimate of the UK's remaining proven and probable oil reserves has fallen from 9.75bn barrels to 9.2bn barrels. Successful appraisal of existing fields has added 600m barrels to reserves, but the country is continuing to deplete its oil fields faster than it can replace them.

The Brown Book shows that at the current oil price of $12 a barrel, the oil industry is making a negative return on its investment in fields which came on stream this decade. These require an average oil price of $15 a barrel to make a return, while fields now under development will require an average price over the life of the field of $21 a barrel.

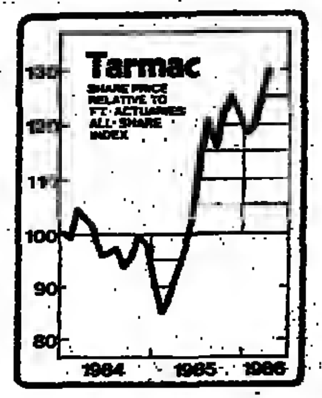
The collapse in oil prices below levels at which North Sea projects are profitable lies behind the halving of many oil companies' exploration budgets, and the shelving of Shell's £2.5bn ($3.75bn) Gannet North Sea project.

Mr Buchanan-Smith said yesterday that he was concerned at the downturn, but he was yet to be convinced by the oil industry that projects which were economic pre-tax would be made uneconomic by the Government's current fiscal policy. But he said he was willing to discuss the position with the oil industry.

The Brown Book shows last year UK-based companies won a record 80 per cent of North Sea orders, worth £2.7bn. Gross capital investment in the offshore oil and gas industry last year was £2.8bn, compared with £3.2bn in 1984.

THE LEX COLUMN

Commercial paper comes ashore



The absence of a commercial paper market in the UK has long seemed one of the odder features of the monetary system. The deliberate exclusion, by the banking act, of a mechanism for companies to buy and sell each other's short-term debt has caused any number of financial contortions. Top-grade UK companies wanting to borrow short-term sterling have found it cheaper to go through the rigours of the US rating system and swap the proceeds of dollar borrowing into pounds than to borrow in the UK. High time, long before yesterday's announcement, that this absurdity was unravelled.

In some ways, it is perverse of the authorities to have left the change so long. The overall monetary effect of permitting a commercial paper market to develop can only be to remove banking intermediaries from the flow of liquidity between corporate borrowers and lenders, thus reducing the volume of bank lending. In a period when detailed monitoring of £M3-growth was a preoccupation of the credit markets, the creation of a commercial paper market would have made it easier to hit the monetary targets, avoiding much of the need to overfund. And without overfunding, there might never have been the need for a bill mountain in Threadneedle Street.

Since overfunding has been replaced by an official policy of exact funding, which has in practice allowed for some under-funding, the bill mountain will unwind. And in any case, the spell of broad-money targetting appears to have been broken some time since. The go-ahead for commercial paper is, to that extent, untainted by suspicions that it is a means of loosening the stays of monetary policy. Much more reasonable to see it is a perfectly genuine concession to commercial pressures. It is only a pity that the same spirit did not extend, yesterday, to a complete withdrawal of the impost on ADR issues; 1½ per cent is less onerous than 5, but it may still be a level of duty which suppresses a market rather than taxes continuing turnover.

Turnover in commercial paper, however, could be very heavy indeed. Diehards are prepared to argue that there is only a narrow strip of the interest-rate spectrum in which borrowers and lenders could meet each other – between Libor and the rate on acceptances. Acceptances are, furthermore, a highly developed medium for those corporate borrowers whose name is weak enough to benefit from a banker's guarantee. But the super-heavyweights who have for some time been exploring the slippery territory of borrowing rates below Libor are unlikely to find this convincing. Company treasurers and their bankers have both been gearing up for a new regime – in which banks may be agents in the placing of paper but have only an incidental role as lenders.

One standard reason for doubting whether sterling commercial paper can get off the ground is that there appear to be more willing lenders than borrowers; there are plenty of companies which would be at least as happy lending to BP as to the clearing banks. But if lenders really do think like this, the cost of funds on the new market will presumably fall to a point where enough borrowers come forward to absorb the supply, and a virtuous spiral can begin.

Blue Circle/Tarmac

The London stockmarket's differing reaction to 1985 figures from Blue Circle (BCI) and Tarmac was more a matter of relief for the former than dissatisfaction with the latter. BCI's 3 per cent increase in pre-tax profits to £116.9m was met by a 43p gain in the share price to 716p. Tarmac, which pushed profits up by 23 per cent to £133.2m, saw only an 8p rise in its shares to 486p. But the historic p/e ratios at 10.6 and 17.2 respectively reveal the market's view that Tarmac is the more reliable earner.

BCI had a lot going against it last year. The UK cement market was poor and BCI suffered extra distribution costs as two new plants were slow to come on stream. The rise in sterling hit translation of overseas profits, 80 per cent of the total, despite a change from year end to average rates. US profits would have been down even in dollar terms but for the Atlantic Cement acquisition half way through the year. Mexico and Chile performed well but earnings from these are still regarded as low quality. Tarmac had the benefit from US acquisitions made in 1984 to help the quarry products division, but the 44 per cent gain in housebuilding profits was all its own work. While Tarmac cut its net debt, BCI's borrowings rose as did fears of a rights issue.

Low interest rates and a pre-election spending boom should mean a strong couple of years for building companies. BCI's UK cement business will at last break out of years of heavy spending and tough conditions. Tarmac will get a boost from the oil price fall in its blacktop business. Both should show profits growth of around 20 per cent in 1986, though again Tarmac may have the edge. BCI shares have more scope for a re-rating. Tarmac's are already there.

Liberty Life

TransAtlantic Insurance Holdings is an odd sort of name for a company which invests not just in insurance and traces its parentage not across the Atlantic but to Johannesburg. Liberty Life, which owns 75 per cent of TransAtlantic, now seems ready to surrender its controlling interest in return for a public quotation which will allow the company to develop its existing network of Financial holdings in the UK. As a first step, TransAtlantic is launching a one-for-two rights issue of preferred ordinary shares which will raise £137.5m and should dilute Liberty Life's interest to about two thirds of the total.

TransAtlantic currently owns about a quarter of both Sun Alliance and Continental and Industrial investment trust, so the infusion of the new cash, which leaves the pro-forma balance sheet almost ungeared, will presumably cause the management of both those companies to take a fresh look at their service contracts. But, if TransAtlantic follows the example of its South African parent, it may diversify into other financial services rather than consolidate its grip on the existing associates. Liberty Life's own group structure is a simply dazzling maze of partial holdings.

WEU rejects moves to fight terrorism

By Bridget Bloom in Venice

FOREIGN and defence ministers of the seven-nation Western European Union decided yesterday that their newly revived organisation was not an appropriate forum for co-ordinating European moves to combat terrorism.

The decision to confine European anti-terrorist action to the European Community put fresh limits on WEU influence. Ministers decided two years ago to revive the organisation – which commits Britain, France, Germany, Italy and the Benelux countries to treaty arrangements from the early 1950s – as an important body for co-ordinating European security. However, enthusiasm for the enterprise has declined recently.

Yesterday's decision came after a short discussion in which there was unanimous opposition to the creation of a WEU group to co-ordinate anti-terrorist policies and actions. Proposals for such a group had been made by Mr Jean-Marie Caro, president of the WEU parliamentary assembly.

The ministers decided that the EEC, the foreign and home ministers of which have both met on terrorism in the last 10 days, should co-ordinate European policy on the issue. The two-day WEU meeting was described yesterday as cordial with the main discussions covering East-West relations and European security.

Moscow asks for assistance

Continued from Page 1

the House of Commons for restricting information about the incident. Mr Kenneth Baker, Environment Secretary, said the Russians had been asked to supply full details. He and Mrs Margaret Thatcher, the Prime Minister, both sought to allay fears that British nuclear power stations might be vulnerable to similar accidents.

● The disaster at the Chernobyl nuclear power station could scarcely have come at a worse moment for the Soviet energy programme, writes Patrick Cockburn.

Fast development of big nuclear plants, each with an ultimate capacity of 4,000 Mw to 7,000 Mw, is at the centre of Soviet investment in energy west of the Urals over the next five years and is bound to be affected by the destruction of the reactor in the Ukraine.

The very high speed with which the nuclear programme was being pushed may have contributed to the disaster. In 1984, Mr Peter Neporozhny, the Soviet Minister for Power and Electrification, said: "Such power stations are very economical and can be built in the immediate vicinity of a city because they do not emit smoke and are totally safe."

Soviet nuclear power specialists have echoed the same theme that nuclear energy for civil use is risk-free. "Over the 31 years that passed since the first nuclear power unit went into operation there have not been any serious accidents at Soviet nuclear power plants," wrote two members of the staff at the Institute of Nuclear Power in Moscow last year.

The decision to expand the nuclear power programme was taken in 1984 when the Soviet Union produced its energy programme for the next 20 years. The Soviet Union was then using some 2.5m barrels a day of oil in its power stations. The plan was to save oil by substituting gas and by rapidly increasing the number of nuclear power stations.

In the European part of the country, studies showed that a kilowatt of electricity produced from nuclear power stations was much the cheapest. East of the Urals, cheap coal from open-cast pits and associated gas was the most economic fuel.

Some 40,000 Mw of nuclear energy were to be added between 1986 and 1990 on top of the 23,000 Mw already in place.

The new programme created some misgivings. "Isn't a 'nuclear euphoria' replacing the oil euphoria'" Mr Neporozhny was asked by an interviewer two years ago at the start of the present spurt of nuclear plant construction. He denied having "any delusions on this score."

Will the Chernobyl disaster affect the nuclear programme? The investment made is already very large. Over the next 10 years, 30 nuclear power stations are to be built. In 1986 some 7,500 more megawatts of electricity from nuclear plants are to be produced, which means at least seven new reactors. The Atommash plant, which was originally meant to produce eight reactors a year in serial production, has never come up to expectations but is still thought to be producing about three reactors a year.

That programme, which has absorbed so much Soviet capital investment in 1980s, will be almost impossible to change and difficult to modify. Although the raw materials such as oil, coal and gas are available as fuel as well as plentiful hydroelectric power, they are already fully used and are, in any case, in the wrong part of the country, in the sparsely inhabited Siberian wastelands. That is too far for electricity to be transmitted economically to the great industrial cities of the West.

Britain reduces tax on ADRs

Continued from Page 1

The new rate, which is to be applied retrospectively to shares converted into ADRs on or after March 19 this year, should ensure that there is no diminution of overseas interest in British shares, Mr Lawson said.

The 5 per cent tax on ADRs announced in the budget has never been applied. Instead a 1 per cent charge was imposed as before the budget amid expectations that the balance would be collected after the Finance Bill received royal assent.

ENI warning after return to profit

Continued from Page 1

L15,986bn at the end of 1985. On its foreign exchange operations, ENI turned a 1984 loss of L479bn into a profit of L206bn in 1985, despite a loss of L32.8bn on the repayment of a debt of $125m on July 19, when the Bank of Italy refused to support the lira and let it fall nearly 20 per cent against the dollar.

Mr Reviglio, an economics professor who has been chairman of ENI since early 1983, said that the fall in the oil price to about $10 a barrel in the early part of this year, and the fall in the dollar, would cut margins of oil produced abroad, and reduce the value of oil and gas produced in Italy. It should, however, improve the economics of downstream operations in Italy. The chemical sector would benefit from cheaper raw materials.

Mr Reviglio said the group would now try to step up its efforts to increase its oil and gas production both in Italy and overseas, to make its downstream operations more businesslike and competitive, and to step up the penetration of the Italian market by natural gas.

ENI would be giving close attention to the possibility of buying hydrocarbon reserves from other energy companies in order to improve Italy's control of its energy supplies. It wanted to have its own production of 19m tonnes of crude a year by 1986, compared with the present 12.7m tonnes, the chairman said.

The group intended to step up production capacity of domestic gas resources from the present 12bn cubic metres a year to 14bn by 1988 and to 18bn in the 1990s.

Mr Reviglio said that ENI's energy division, which had sales of L35,014bn in 1985, made a net profit of L1,707bn against a profit of L1,236bn on sales of L34,336bn in 1984. Profits had been made on upstream operations but the result of downstream operations was "generally negative." ENI's coal operations had made a bigger loss than in 1984.

ENI's three engineering subsidiaries, Snamprogetti, Saipem and Nuovo Pignone, made a total net profit of L170bn in 1985, compared with one of L128.5bn in 1984. Sales were up from L2,346bn in 1984 to L2,883bn in 1985.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	C	16	61	Malta	S	18	64	Rhodes	S	25	77
Algiers	C	18	64	Edinburgh	F	11	52	Manchester	F	9	48	Rio de J'o	C	26	79
Amsterdam	F	12	54	Faro	S	18	64	Manila	S	37	99	Rome	C	16	61
Athens	S	22	72	Florence	C	16	61	Melbourne	C	14	57	Salzburg	C	17	63
Bahrain	S	31	88	Frankfurt	F	20	68	Mexico City	–	–	–	San Francisco	F	8	46
Bangkok	S	35	95	Funchal	C	17	63	Miami	S	20	68	Seoul	S	23	73
Barcelona	F	16	61	Geneva	D	10	50	Milan	S	11	53	Singapore	F	32	90
Beirut	–	–	–	Gibraltar	–	–	–	Montreal	S	17	63	Stockholm	C	10	50
Belfast	C	10	50	Glasgow	F	10	50	Moscow	T	14	57	Strasbourg	C	16	61
Belgrade	C	17	63	Guernsey	S	10	50	Munich	C	10	50	Sydney	R	16	61
Berlin	F	19	66	Helsinki	F	18	64	Nairobi	F	25	77	Taipei	F	24	75
Biarritz	C	12	54	H. Kong	C	26	79	Naples	F	17	63	Tangier	C	17	63
Bombay	F	31	88	Innsbruck	C	13	55	Nassau	–	–	–	Tel Aviv	C	31	88
Bordeaux	D	13	55	Inverness	F	10	50	New Delhi	S	33	91	Tenerife	–	–	–
Brussels	C	12	54	Islamabad	C	31	87	New York	C	12	54	Tokyo	C	18	64
Budapest	S	25	77	Istanbul	S	23	73	Nice	S	16	61	Toronto	C	13	55
B. Aires	F	22	71	Jakarta	C	32	90	Nicosia	F	31	87	Tunis	C	19	66
Cairo	F	38	100	Jersey	S	11	52	Oporto	S	17	63	Valencia	S	21	70
Cape Town	R	18	64	Jo'burg	F	20	68	Oslo	C	7	45	Venice	F	19	66
Caracas	S	29	84	Lima	S	23	73	Paris	C	12	54	Vienna	S	23	73
Casablanca	C	17	63	Lisbon	S	18	64	Peking	S	25	77	Warsaw	F	25	77
Chicago	S	8	46	London	F	13	55	Prague	F	21	70	Washington	C	17	63
Cologne	R	16	61	Los Angeles	S	15	59	Reykjavik	F	7	45	Zurich	C	10	50
Copenhagen	F	9	48	Luxembourg	R	13	55								
Corfu	F	18	64	Madrid	S	16	61								
Dallas	F	21	70	Majorca	C	15	59								
Dublin	F	10	50	Malaga	–	–	–								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

China's leaders suffer twin blow

Continued from Page 1

viewed, and senior ministers have warned that provincial officials "must not hesitate to stop or suspend projects."

Diplomats are agreed that a slowdown was necessary this year to stabilise the economy, but are divided on whether the brakes have been applied too hard. Some feel that the restraints are needed to provide a calm climate for the introduction of more reforms, while others are convinced the economy is losing momentum.

"The boom times are over," a foreign banker said. "The end of the boom will be felt by most of China's trading partners, as it will certainly mean a sharp drop in import growth – West European countries scored a 25 per cent average increase in trade last year, while Japan and the Soviet Union recorded even larger rises.

Import curbs are likely to be tough. The economic planning minister, Song Ping, estimates that trade volume this year will be $56.8bn, down on the trade ministry's calculation of 1985 trade at $59.21bn and well down on the State Statistical Bureau's 1985 estimate of $69.79bn.

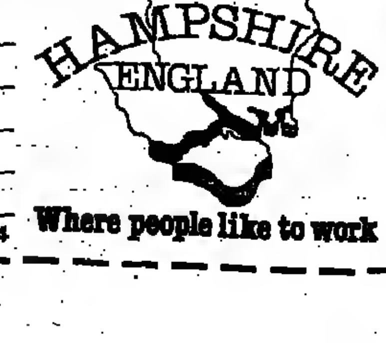
The trade figures also show that the oil price slump has hit China harder than the Government had expected, forcing another review of trade and foreign-exchange use. Oil export earnings, which last year accounted for about 25 per cent of export income, fell 30 per cent in the first three months of this year.

Comparisons have been drawn between the present trade slowdown and a cut in 1981 and 1982.

On the domestic front, the economic restraints have already produced a sharp fall in industrial output growth, which was 18 per cent for 1985 and 23 per cent for the first half of last year. In the first quarter of 1986, industrial production rose only 4.4 per cent.

Officially, the Government has called 1986 a year of "consolidation" and "digestion."

This is a crucial year for the reforms initiated by Deng Xiaoping and his fellow pragmatists. Unless several serious problems, including widespread corruption and inflation, are countered, the pragmatists may be forced to make economic concessions to conservatives within the leadership who are concerned that reform has gone too far.



SECTION III

FINANCIAL TIMES SURVEY

Switzerland

— a special case

The economy is thriving. Industrial performance has recovered with the revival of world demand, though questions remain about Swiss competitiveness in world markets. But industrial and commercial openness to the world and a traditional political aloofness are proving hard to reconcile

By William Dullforce, Geneva Correspondent

SWITZERLAND is a special case. If we had not known that before, the Swiss reminded us of it last month when, by a solid three-to-one majority, they rejected their government's referendum proposal that they join the United Nations.

A few days later the defeated government, motivated at least partly by a wish to repair the damage it felt the UN vote may have inflicted on Switzerland's reputation, took the extraordinary course of ordering the banks to freeze the assets of Ferdinand Marcos, the deposed Philippines president, and his family.

Its action reminded the world of another Swiss particularity, their banking secrecy. The banks feared that this time it was the Swiss reputation for handling the funds of world investors with privacy and security that would be tarnished.

They claimed angrily that the government had acted very precipitately and set a dangerous precedent. The new regime in Manila should have followed the established procedure in applying for legal assistance from Switzerland to recover monies suspected of having a criminal origin, the banks argued.

The UN vote and the row over the Marcos fortune show how the Swiss are trying to reconcile their sovereignty with the exigencies of an increasingly interdependent world.

The emergence of a global, deregulated financial market is putting Swiss banking under stress in many directly practical ways. Innovations in the form of dual currency, swap-tied and equity-linked issues introduced by the US and other banks to the bond market are forcing the National Bank to review its few remaining regulations.

The preservation of the Swiss franc issuing business—second in volume only to the dollar market—for banks domiciled in Switzerland is now seriously challenged.

Even on the industrial front Swiss companies are pressing their authorities hard to ensure that they do not remain isolated from joint government-financed development projects such as Europe's Esprit and Eureka programmes and even the US "Star Wars" programme. Swiss industrialists fear they may be cut off from leading-edge technologies.

The arguments in favour of joining the UN marshalled by the government in the campaign before the national referendum were intellectually impeccable. More and more decisions directly impinging on Swiss interests and affecting its future were being taken in international organisations to which Swiss representatives had no access or at best observer status.

There was also the moral argument. It was simply wrong for one of the world's richest nations with the highest per capita income in Europe to remain aloof in its mountain fastness and tourist paradise from the international community which generated much of its wealth.

Unease about a revival of the mercenary image lurks deep in the Swiss consciousness. Periodically, the outside world recalls that for centuries the Swiss earned a living by selling the services of their brave, effective and ruffianly peasant soldiers to their neighbours.

The rational and moral arguments for UN membership crashed on the rock-hard conviction of the Swiss citizens that their right to decide their own affairs in the *Gemeinde* or commune would somehow be violated by joining the 159-nation club in New York. They felt their sovereignty was at stake.

Proponents of UN membership for Switzerland have once described the citizens' reaction as primitive, as an evocation of a parish pump mentality and as short-sighted egotism. It was certainly an expression of innate Swiss conservatism.

Simple descriptions are probably wrong. The UN vote and the case of the Marcos funds can fairly be put in the context of yet another small country struggling to adjust to swiftly changing world.

But there is more to it, for the Swiss do indeed have their singularity. Their historically-conditioned role in the world and the services it enables them to provide are still valid. The particular nature of the services derive at least in part from the Swiss ability to maintain their political, legal and financial oddity.

The country's perpetual neutrality was the issue on which the UN referendum campaign focused. The government's opponents claimed that UN membership would impair that neutrality.

Today Switzerland represents the interests of the US in Cuba and Iran, those of Iran in South Africa and Egypt and those of Britain in Argentina, among many other similar assignments. "Whenever conflicts break out, we assume a neutral position which enables us to offer our good services, says Mr Edouard Brunner, Secretary of State at the Foreign Ministry.

He argues that these good services would still be sought after Switzerland became a member of the UN. Others see the situation differently, claiming as an example that current worldwide acceptance of the humanitarian services provided by the International Committee of the Red Cross with its all-Swiss administration could weaken if Switzerland became embroiled in arguments within the UN.

The world arguably can derive benefit from having one country with both a unique neutral status and with the diplomatic resources to offer efficient service. An argument for Switzerland as a special case emerges.

The argument for Swiss banking secrecy as a special case is more difficult. The opportunities it offers for laundering funds acquired through criminal acts, or by the diversion of public money into the coffers of political dictators, have been highlighted again by the Pizza connection trial in Ticino, where those implicated placed Mafia money in Swiss accounts; and by the efforts of new administrations in the Philippines and Haiti to recover alleged loot from former presidents.

Swiss authorities and bankers, over the last few years, have been trying to draw a line through new legislation and international agreements between what is criminal and what is legally acceptable under the Swiss tradition that individuals have the right to deploy their wealth as they please and in private.

Within Switzerland itself there is dissent about these moves between the big banks, which foresee dangers to their foreign interests, particularly in the US, if concessions are not made as in the insider trading Bill now before parliament, and the smaller banks, whose existence depends on *maintaining* privacy for the foreign clients whose funds they manage.

The big banks' anger over the government's intervention in the Marcos case stemmed from a perception that the government by establishing a precendent for exceptional measures, was breaching the line protecting the remaining core of Swiss bank secrecy.

Bank secrecy is seen and felt by most Swiss citizens as a matter of sovereignty as well as of self-interest: they shielded it from government legislation in an earlier referendum in 1984. As with Swiss neutrality, the sovereignty embodied in bank secrecy is also linked with a concept of providing a special service.

If the UN referendum has put an end to any prospect of Switzerland joining that world organisation before the end of the century as least, the Swiss almost certainly will be involved in more skirmishes in defence of bank secrecy.

Most foreigners think of Switzerland first in terms of financial services and tourism. This is a misrepresentation: industry remains vital to the *health of the economy and* it is the current improvement in industrial performance as well as the growth in bank profits which keeps morale high in the country.

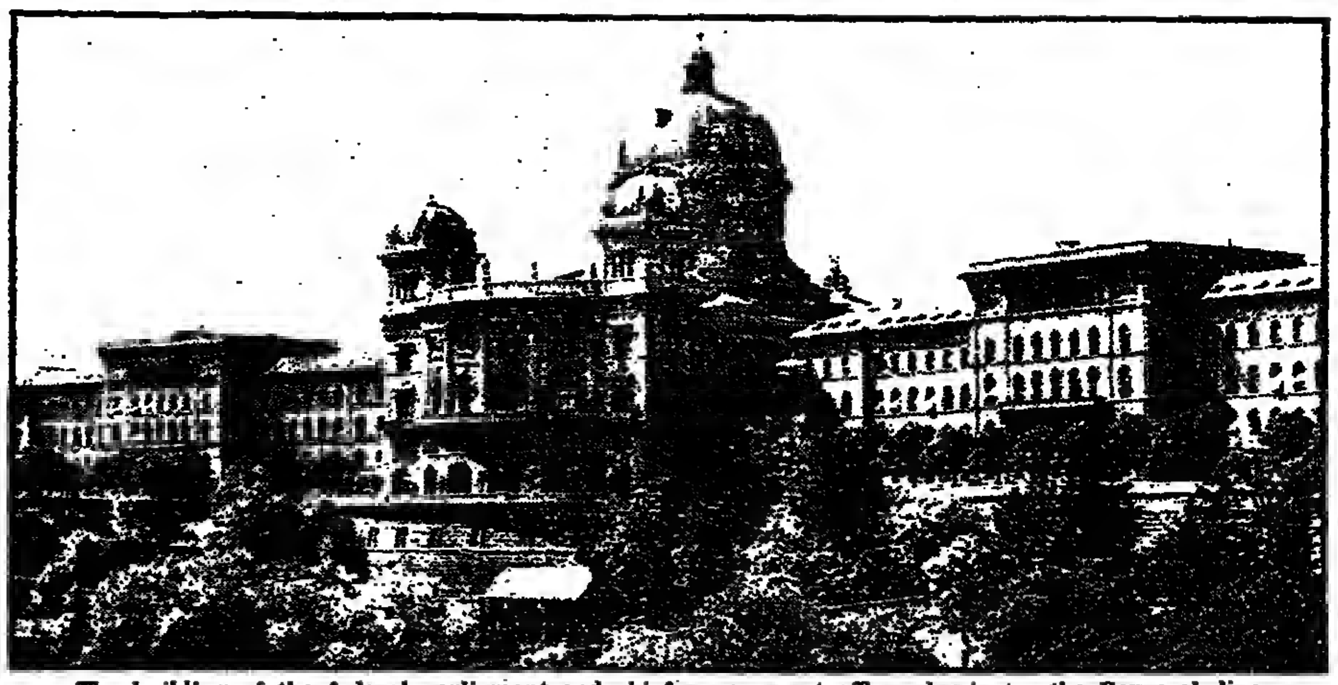
Industry still provided almost 38 per cent of the jobs in Switzerland in 1984 compared with 33 per cent in Britain and only 30 per cent in Sweden, a country with an economy roughly the same size.

Services accounted for less than 56 per cent of Swiss employment compared with about 65 per cent in both Britain and Sweden. De-industrialisation *has* further to go in Switzerland.

The economy as a whole grew by close to 4 per cent last year and, assisted by the fall in world oil prices, it appears to be heading for a further increase in *Gross Domestic Product* of about 3 per cent this year.

The doubt is that industry's better performance in 1985 may have been due to the unusual circumstances of a favourable exchange rate for exporters and strong demand from the recovering economies of the industrialised countries.

The Swiss have not yet made out a special case for their industry. Here they are relying on the traditional virtues of hard work, technical competence and the ability to learn from others' mistakes.



The building of the federal parliament and chief government offices dominates the Berne skyline

Economic performance and prospects

(Change in percentage from previous year except for Treasury bond yield and unemployment rate)

	1984	*1985	†1986	†1987
Monetary indicators:				
Central Bank monetary base	2.5	2.2	1.5	1.75
Treasury bond yield	4.5	4.7	4	3.75
Trade-weighted value of the Swiss Franc	−3.2	−2.8	7	3
Gross Domestic Product:				
Private consumption	1.3	1.75	3	2
Investment in buildings	4.1	2.5	2	1.5
Investment in equipment	3.9	10	8	4
Exports of goods and services	6.1	8.5	4.5	3
Imports of goods and services	7.1	5	5	3.25
Gross Domestic Product	2.1	4	3	1.7
Labour market:				
Wages and salaries	2.7	4	4.5	3
Employment	−0.2	0.9	1.25	0.5
Unemployment rate	1.1	1	0.8	0.7
Consumer prices	2.9	3.4	2	2

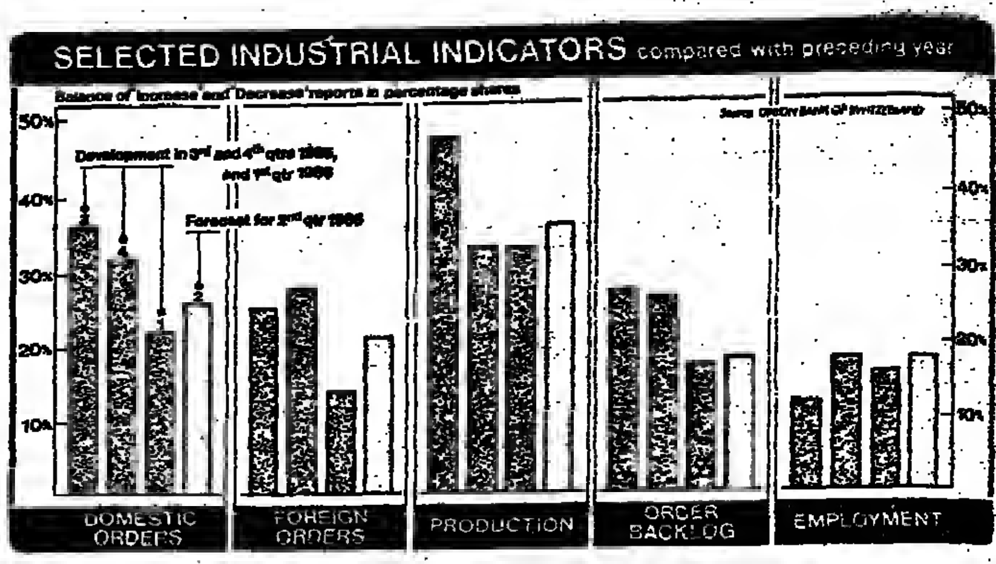
* Preliminary estimates. † Forecasts.

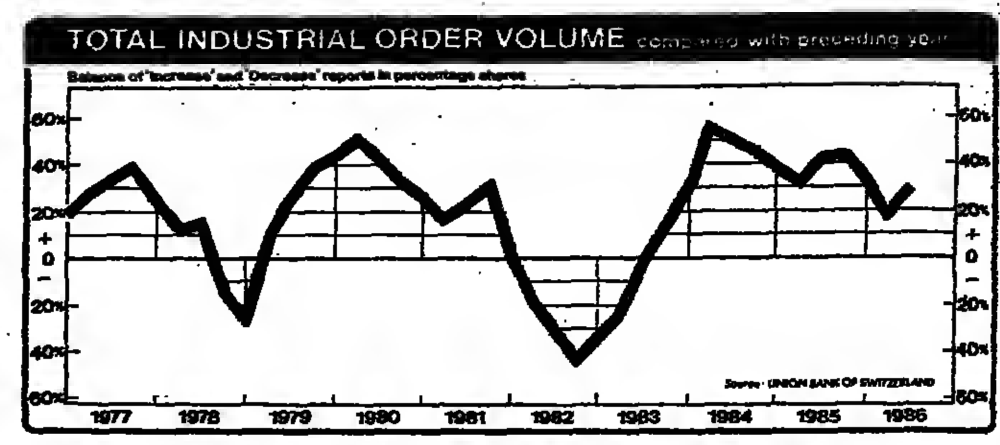
Source: Economic Research Institute of Zurich Technical University.

Oil fall a vital stimulus

Economy

WILLIAM DULLFORCE





THE RECOVERY in the Swiss economy which started at the beginning of 1983 is set to last through 1986 and possibly into 1987 as well, longer than expected in earlier forecasts.

A key stimulus both in real terms and in expectations has come from the fall in the price of crude oil. This has maintained buoyancy in world demand, on which an exporting economy like that of Switzerland is so dependent, and cushioned the negative effect on exports of the appreciation of the Swiss franc.

More importantly, its deflationary effect has helped to boost Swiss real incomes and to stimulate the increase in private consumption which forecasters agree will this year replace exports as the crucial growth element.

"Our general feeling about the economy is that we do not have any big problems," a government economist says without smugness. His view is echoed in the latest survey by the Organisation for Economic Co-operation and Development, which could find no imbalances in the Swiss economy requiring correction.

Inflation is not expected to exceed 2 per cent on annual average this year. Employment is growing and the number of jobless is less than 1 per cent of the labour force. Capital outlays, which accelerated sharply last year, are now forecast to flag less than expected in 1986. The current account of the balance of payments showed a surplus equivalent to well over 4 per cent of gross national product last year.

Switzerland's comfortable economic prospects can be interpreted, by the OECD economists for example, as virtue rewarded. By sticking to a consistent anti-inflationary policy based on a restricted money supply and not over-reacting to changes in circumstances, the authorities have kept open the path to medium-term economic growth.

One has to look hard for possible shadows over the medium-term outlook. Could the one-time impact of the fall in oil prices on the consumer price index be disguising a stronger underlying inflationary trend in the domestic economy?

Industrial performance has improved markedly and overall company earnings were substantially better last year. Among the big concerns which had been evoking concern Sulzer returned to the black in 1985 and resumed dividend payments while Oerlikon-Buhrle has just won a crucial order from Canada for the new air-defence and anti-tank missiles in which it has invested heavily.

On the other hand, Dr Fritz Leutwiler, the new chairman, needs time to reverse Brown Boveri's poor profit performance and the management changes at Alusuisse have led to the disclosure of unsuspected troubles.

The question mark over the international competitiveness of Swiss industry has not yet been removed in spite of the stunning comeback of the watchmakers. Last year the Swiss benefited from buoyant demand in their main trading partners and an unrealistically low exchange rate for the Swiss franc, which has since been corrected.

Swiss engineering companies started to restructure and introduce new production technologies later than their foreign rivals. Investments in rationalising appear to have been high over the past two years and productivity has been improved, but the changes will have to be tested over a longer period.

The table on page 1 gives the latest — and most optimistic — forecast from the economic research department of Zurich technical university (ETH). It includes a late revision in April, taking into account the fall in the oil price which induced the ETH forecasters to raise their growth estimate for real Gross Domestic Product this year from 2.8 per cent to 3 per cent.

This compares with the 2.5 per cent forecast by the economic research department of Union Bank of Switzerland (UBS) and the 2.1 per cent tabled earlier by the government commission for economic questions. The ETH also estimates GDP growth at 4 per cent in 1985 compared with the government economists' more cautious provisional estimate of 3.7 per cent.

ETH's 7 per cent forecast for the increase in the real trade-weighted rate for the Swiss franc also differs markedly from the 5 per cent assumed by most other forecasters, although its estimate that growth in exports will slow down to 4.5 per cent while imports continue to grow at 5 per cent is more in line with the others.

Some uncertainty surrounds the effect of the appreciation in the Swiss franc. Last year the share of exports to the US in the total value of Swiss exports jumped to over 10 per cent from the average of 8.3 per cent recorded in 1980-84 and was a bullish element in the export performance.

Exports to the US had already started to stagnate in the last months of 1986 parallel to the depreciation in the dollar, while growth switched to Europe, mirroring the recovery there and in particular in West Germany which takes some 20 per cent of Swiss exports.

The appreciation of the Swiss franc has followed that of the D-mark with only a slight variation: some economists ask whether the real relative strengths of the two economies warrant this close link and raise the question whether the franc may currently be overvalued against the D-mark.

There has been no pressure on the National Bank as yet to start looking at exchange rates but some 40 members of parliament have submitted a question to the government on exchange rate development. The implication is that some unease exists within industry.

Wages and salaries are likely to rise by around 5 per cent in 1986 compared with the 2.5 to 3 per cent annually in the last two years. Wage bargaining is decentralised in Switzerland. The trade unions, too, tend in recessionary periods to look for jobs rather than wage increases.

This year — virtue rewarded again — they are likely to get both. About 30,000 new jobs are expected to be created and with inflation pegged to around 2 per cent the wage rises will substantially boost purchasing power.

The UBS survey found the large retailers planning to expand their capital spending again in 1986 while industrial companies in general anticipated that domestic demand would bring a renewed upturn in order volume in the second quarter following a slight dip in the first three months.

A query can be raised about the Swiss inflation rate. The tight control of the monetary base over the past few years by the National Bank has succeeded in keeping the increase in prices well below those of most other European countries but the deflation may be less securely anchored than, for instance, in West Germany.

In March the annual inflation rate fell to 0.9 per cent, largely helped by a 5.2 per cent decline in petrol prices during that one month alone. No forecasters expect that level to be maintained, even if the 2 per cent increase on an average annual basis for 1986, for which most of them plump, would be deemed to be highly satisfactory in most countries.

However, the ETH breakdown of the consumer price development shows that the downward thrust has been strongest in imported goods and services. The domestic component, which has a weight of some 70 per cent in the index, has remained consistently above 3 per cent over the past two years and was still at an annual rate of 3 per cent in February.

It would be wrong to highlight such questioning in assessing the present condition of the Swiss economy. The current inflation rate understandably is regarded more as a matter for congratulation than for concern. Moreover, other events have shown that the Swiss are making the adjustments needed to put their economy on a sounder basis following the recession of the early 1980s.

The Federal Council, for instance, has now lifted its limit on recruitment of staff at the universities, a measure imposed to tighten public spending and budget discipline. It had become clear, however, that this restriction was preventing the universities from training electronics engineers urgently required by companies striving to modernise production processes and renew products.

Within a global context, where bigger players dictate, the Swiss have to ensure that their goods and services stay competitive. For the time being they appear to be successfully restoring their position.

Record volumes of business

Capital markets

JOHN WICKS

THERE ARE still no signs of the expansion in the Swiss-franc capital market reaching a limit and after record volumes last year 1986 began with another series of all-time highs.

With the currency still strong and stable, the economy set fair to enter its fourth year of real-terms growth and a 1986 surplus on current account which could rise to over SwFr 11bn, Switzerland remains a major attraction for both borrowers and investors.

In the long-term sector the market is now dominated by foreign issues. Last year the total of new money raised by the public issue of bonds by non-Swiss borrowers jumped by one-half over the 1984 figure — itself a record to over SwFr 16.7bn. For the first two months of the current year alone, this sum has reached more than SwFr 5.7bn.

Following the lifting of the SwFr 200m ceiling for foreigners' Swiss-franc bond floats last May, an increasing number of borrowers have placed large individual issues such as the recent zero-coupon offers by the Asian Development Bank and Pepsi Company of SwFr 500m and SwFr 400m respectively.

Further encouragement came at the end of January when the big banks' underwriting syndicates reduced issue fees and removed bourse-listing commissions for new foreign Swiss-franc bonds.

The sharp increase in the bond business was the major reason for an overall rise in Switzerland's capital exports last year. Foreign borrowings subject to national Bank approval grew by more than 14 per cent to a new high of nearly SwFr 46.4bn, of which some SwFr 4.2bn were in currencies other than the Swiss franc.

Within this total, however, medium-term notes were still predominant and showed a slight increase to SwFr 19.45bn. This volume keeps high primarily because of the lively demand on the part of Japanese borrowers.

Latest National Bank figures show that the notes market also began 1986 at levels above the substantial volumes for the same period of last year.

All in all, capital exports reached a record figure in the January-February period, even though there was almost no growth in banks' finance and export loans.

In its annual report, published in Berne on April 25, the National Bank says the substantial volume of foreign borrowings reflects the significance of Switzerland as a turntable for international capital. It points out that a large part of the corresponding issues are, in fact, also subscribed by foreign investors.

For all that, one of the Swiss market's greatest strengths is the huge demand for Swiss-franc securities on the part of institutional and private investors at home. The banks alone have securities portfolios of something like SwFr 50bn. At the end of 1983, the latest date for which figures are known, Swiss insurance and re-insurance companies had combined bond holding of about SwFr 36bn.

A particular boost is already making itself felt with the expansion of the country's pension funds, whose total assets are likely to reach SwFr 200bn or more by the end of the century. They have traditionally been major bond buyers.

There is also a substantial domestic borrowing potential on the Swiss public-issues market. Last year the new-money call in the long-term sector rose from SwFr 6.93bn to SwFr 8.94bn on the part of Swiss borrowers (including foreign-controlled or international entities domiciled in the country), or close to the 1982 record. This was, however, largely the result of increased bank issues, up to some SwFr 4bn of the overall total.

Public authorities were in no great need of new funds, while industrial companies took advantage of the soaring share indices to raise money through rights issues. In all, new share issues jumped by over one-third to SwFr 2.3bn, their highest level since 1980.

In the first months of this year the corporate sector has continued to offer large slices of new equity — some SwFr 550m worth in January and February alone, or as much as in the whole of 1982. The continued health of the Swiss bourses and the flood of new participation-certificate issues make it likely that 1986 will break all the records here too.

On the investors' side, demand seems likely to flourish for a long time yet. There is no reason to believe that the Swiss franc will become a translation-risk currency in the foreseeable future, while the very act of having an issue underwritten in Switzerland still — despite the occasional appearance of a borrower with low credit ratings — represents something of a seal of quality.

For domestic investors Swiss-franc engagements naturally obviate any chance of a currency loss. Besides, inflation in Switzerland itself is now down to a more than seven-year low at a March level of 0.9 per cent a year. This means that the real interest rate is high, with coupons of around 4.25-4.5 per cent for straight bonds of first-class domestic addresses.

Capital-market interest rates are not necessarily about to decline, however. With Euro-Swiss francs at 4 per cent for three months, time deposits of this maturity are still running at 3.25 per cent. In the medium-term sector five- and six-year "Kassenobligationen" (the banks' own over-the-counter notes) pay 4.5 per cent.

Despite an average yield of only about 1.85 per cent, shares also look more attractive in the light of better corporate profits and dividends.

So far this year domestic bond-market issues have barely reached corresponding 1985 figures. For the next few months it seems rather unlikely that there will be much of an upswing, since public spending is still restrained on the one side and in the corporate sector most companies seem to be enjoying adequate liquidity.

As for personal borrowing, demand has been increasing both for banks' advances and loans and in the important mortgage sector. At the end of 1984 total mortgage debt had already reached nearly SFr 227bn, by far the world's highest in per capita terms and a sum which has since grown noticeably.

Mood of concern about change

Politics

W. L. LUETKENS

ELECTION posters have sprung up on streets and squares of the Swiss canton of Berne. Most of them are pretty subdued, hut one does scream for "and end to fir ancial scandals, to the rape of the environment and to the refugee scandal."

A newcomer might conclude that Switzerland was on the verge of chaos. Far from it: the Swiss are affluent, orderly and content with their lot.

But that poster does hit off something about the mood in the country. Recent political events and above all the rebuff, in a referendum, to the Government's proposal at last to join the UN, bespeak a fear of change lest it be for the worse. They also bear witness to a fear of the outside world typical of many small states.

A leading Swiss political scientist, Prof. Leonhard Neidhart, has described this phenomenon ea "neo-Halvetic fundamentalism," meaning nostalgia for traditional values and for the good old times. Such psychological isolationsm contrasts oddly with the financial and commercial integration of the Swiss into the outside world to which they owe their affluence.

The three points on that poster in Berne all play upon well-known fears. The reference to financial scandals primarily concerns some local affairs of limited importance. But it also aims at a well-established popular feeling that the Swiss banks bave become too hig for the country's boots, that they are dragging it into entanglements with an unpredictahle world of international finance and politics.

Fears

The reference to the environment plays not only upon the German-speaking peoplea' well-known fears for their forests but upon a degree of industrialisation that is hard to crowd into the limited evailable space in a small and mountainous country. The reference to refugees concerns one of the acutest current political worries: wbat to do about a stream of people, mainly from Sri Lanka, Zaire, and Turkey, asking for political asylum.

It is a fertile issue for the so-called xenophobes — so-called because only a few of them are really fierce—and had a lot to do with the rejection of UN membership by popular referendum on March 16. One of the main personalities who led the successful campaign against joining was Dr Christoph Blocber, a member of the National Council (lower bouse of parliament) for the conservative Swiss People's Party.

To Dr Blocher the issue is settled for at least 10-20 years unless either the UN or Switzerland change fundamentally. Clearly he expects no such change.

An interesting fact about Dr Blocher's party is that though a member of a coalition government that had campaigned for membership — it advised its members to vote "no." But there was no question whatever of it leaving the coalition—nor of the Socialist Foreign Minister, Mr Pierre Aubert, or anyone else resigning when the people rejected so fundamental a proposal by a majority of three to one.

Dr Blocher puts it like this: "The voters said to the Federal Councillors (the seven ministers of the federal cabinet) 'You are doing a good job, but in this case we have decided differently from you'." And he goes on to cite a frequently-heard paradox that Switzerland does not have an opposition in the usual sense of the word— "our opposition is the electorate."

The important point bere is that Dr Blocher places himself squarely within the political establishment, not among the protest vote against the system. In modern Switzerland the political pendulum does not swing from one party to another: instead the entire political establishment swings to keep up with changes in the popular mood as expressed by referenda. At present the swing is towards the Right rather than the Left.

The Federal Government, consisting since 1959 of two Socialists, two members of the Radical Party (moderate conservatives, or in Continental terms liherala), two members of the Christian Democratic Party (which has left and right wings) and one member of the Swiss People's Party, is swinging with that trend.

It will not do to exaggerate that trend. Besides campaigning against the UN, Dr Blocher also tried hut failed to get the people to reject legislation greatly liberalising the law of marriage and enhancing the rights of married women.

But the general pattern is clear. It has already led to a tigbtening up of the procedure for granting or refusing political asylum to refugees, genuine or pretended. Several deportations of both individuals and groups have led to bitter complaints from church leaders and others, but a further tigbtening may be expected.

No doubt there will be many hard cases. But in practice in the past bas been relatively liberal and procedure has been lax. Some applicants for asylum have been in Switzerland for four or five or even more years and have still not received a ruling. A more summary procedure has been introduced, which has sensibly reduced the influx of applicants.

There can he no douht that many came because they wanted to latch on to Swiss prosperity. The hasic criterion applied in deciding cases is whether the applicant personally faces persecution hy the authorities in his homeland — wbicb impties that his lot must be worse than that of his average fellow citizen.

The presence of almost 20,000 applicants for asylum, concentrated largely in a few bigger towns plus 5,200 persons granted asylum since 1980, has built up considerable political pressures leading to xenophobic electoral auccesses in the Canton of Geneva and elsewhere.

Majorities

But these successes have been limited. The government parties have retained majorities everywhere. No member of the xenophobic parties, the Nationale Aktion in German-speaking Switzerland, the Vigilants in the French-speaking West, has ever been elected to the Federal Council by the Federal Parliament or to cantonal ministerial office by the voters in any of the cantons.

That will not he changed by the poster mentioned in the first paragraph. This is intended to promote the interests of Mr Markus Ruf, the enfant terrible of Swiss politics, in his campaign for election to the cantonal government of Berne.

Unlike Mr Blocber, Mr Ruf has stationed himself outside the political establishment, in Nationale Aktion, aod has proved too radical in his populism even for the party leadership.

Mr Ruf caught some headlines when he asked the police to issue him with handcuffs, supposedly to arrest and deport a few asylum-seekers himself. With such aotics he is more likely to frighten off voters than to further his averred political ends. Far from it, he has split his own party. The party's longstanding honorary president, Mr Valentin Oehen, resigned in disgust.

The entire Swiss political system does not lend itself to extremism. The perpetual four-party coalition and the checks aod balances of the constant referenda favour slow movement, not drama, dullness, nor histronics.

In fact, half the electorate or more never bothers to vote. Some are not interested in politics, some feel out of their depth. Others feel that they won't change things anyway (which is odd in a country where even rates of taxation are subject to referendum).

But a fair number of the abstainers, judging by studies commissioned by worried politicians, feel that all is for the best anyway, so why bother to vote, let alone agitate for change?

Pierre Aubert, Federal Councillor (minister) in charge of external affairs who campaigned in vain for UN membership

Size of the protest vote

Percentage shares of poll at parliamentary election 1983

Establishment parties:		Non-establishment parties:	
Government Radicals	23.4	Independents	4.0
Socialists	22.8	Communists and similar	3.1
Christian Democrats	20.2	Nationale Aktion	3.5
Swiss People's Party	11.1	Greens	2.9
Total government	77.5	TOTAL PROTEST	13.5
Other establishment:			
Liberals	2.8	(Another 4.1 per cent of the vote went to splinter parties.)	
Protestant Party	2.1		
Total non-government	4.9		
TOTAL ESTABLISHMENT	82.4		

PROFILE: ELISABETH KOPP

Holding the hot potatoes

THE FIRST and so far only woman minister in the Swiss Government is holding what looks like the two hottest potaloes in Swiss politics.

As head of the Department for Justice and Police, Mra Elisaheth Kopp is in charge when foreign states apply to Switzerland for help to catch suspected criminals hy lifting hank secrecy. It is also her joh to pick a delicate path between the traditional Swiss policy of granling asylum, and the rising public discontent wilh an influx of refugees, real and pretend.

Requests to lift bank secrecy have been very much in the forefront with the new regimes in Haiti and the Philippines trying to recover fortunes said to have heen spirited away hy their former rulers. But more constant and trouhlesome pressure comes from US attempts to trace money misappropriated or stolen hy American fraudsters and thieves.

The law will not allow Mrs Kopp to help unless an offence is alleged that is punishable under Swiss law. Tax evasion, unless accompanied by fraud, is not such an offence, a fact of Swiss law that infuriates the Americans.

Solved

Mrs Kopp says: "That is an irritant tbat we and states with which we are friendly will have to live with." The fact remains tbat while she has been in office, several disputea with Washington were amicahly solved.

Mrs Kopp, 49, and with a ready laugh, has won praise from the political centre for her bandling of the refugee problem. On the olher hand, church groups have accused her of heing too tough and the xenophohes say she ia too lax.

She is aure, she says, that a great majority of Swiss want lo give asylum to those who do face personal political persecution in tbeir home country, hut adds: "The Swiss do not wish the right of asylum to be ahused."

Her main concern is to plug loopholes since, in the official view, 80 per cent of the applicants for asylum do not face direct persecution at home however unpleasant life may be; and second, to speed procedure so that applicants will know the decision within six months at the most. Waits of four to five years have been common, greatly adding to the annoyance of those who are aggravated by the influx.

Mrs Kopp became a Federal Councillor, as the Swiss call their ministers, through election hy the Parliament in 1984 and was only the second woman to have heen nominated for membership of the Council. Once elected, federal councillors are pretty sure of regular re-election until their strength gives out, so her hold on the top rung of the political ladder looks assured.

She worked her way to the top through local politics, including a spell as mayor of her home community at Zumikon, near Zurich. In 1979 she was elected to Parliament as a member of the Radical Party, the party of the industrial and financial establishment.

Mrs Kopp holds a law degree hut has never practised. She helped her hushand, a lawyer, whom she married soon after graduating, and for several years devoted her energies largely to their home and to a daughter, now 22. She still proudly displays her daughter's photograph, and lists family, pets and cooking among her weekend interests after a strenuous week in Berne.

Though she has never been especially ective in women's organisations, Mrs Kopp, regards her election to the Federal Council as e great stimulus to women's ambitions in what is generally considered a male-dominated society.

Her ministry is combing through legislation to find out where it conflicts with the constitutionally-guaranteed equality of the sexes. The question of equal pay for work of equal value promises to be specially knotty.

What of Swiss attitudes to women's equality in general? "It is increasingly accepted," Mrs Kopp says, and points out that a share of 11 per cent for women in the Parliament is high and that it is increasing.

Moreover, she says, one woman in e Federal Council of no more than seven members represents 14 per cent of the country's government—and at the head of a key department at that.

W. L. Luetkens

Strong lobbying in Berne

Finance

WILLIAM DULLFORCE

SWISS BANKERS are reputed for the corporate power they wield in their own economy and society, for the persistence of their lobbying and for their hard-headed pursuit of profit. They have displayed all these characteristics in the past few months.

They have continued to badger their government to ease taxes they see as undermining their ability to compete and have excoriated it for ordering them, unnecessarily, the banks say, to freeze the assets of deposed Philippines President Ferdinand Marcos and his family.

They have urged the Banking Commission to be more restrictive in granting licences to foreign banks, in the hope of inducing the Japanese to open up their trust banking and securities business.

The big banks have trimmed their issuing fees to counter the inroads being made into the Swiss franc bond market by foreign banks and have tightened the criteria for listing bonds on the stock exchanges, to keep poor quality issuers out.

And after all these moves suggesting that they are defending a beleaguered fortress, they have just presented shareholders with 1985 accounts showing profit increases averaging over 20 per cent among the big five, and in most cases proposing dividend increases and rights issues.

The Swiss capital market gives every sign of being in resplendent health. New money raised last year increased by more than 41 per cent to SFr 28bn ($14.3bn) and Swiss franc bond issues by foreigners at SFr 16.7bn were almost half as big again as in 1984.

Prospects for 1986 are also promising. Even if the gap in interest rates with the West German market has narrowed, Swiss rates will remain low. With the annualised inflation rate forecast to sink to 2 per cent and with the firmness of the Swiss franc on the currency markets Switzerland should remain attractive to borrowers and investors. All the signs are that the banks will turn in another good profits performance.

So what is their worry? Why are they leaning on their political authorities and getting tough with the foreigners after keeping a relatively open market for years before other governments went in for deregulation?

The Swiss bankers' fears are anticipatory rather than actual, although in a recent interview Mr Robert Jeker, the managing director of Credit Suisse, cited figures to show the "loss of stature" of the Swiss financial centre.

The growth in turnover on the Zurich stock exchange in the quarter century to 1984 had lagged behind the increase in New York, London and Frankfurt. Foreign bank assets held in Switzerland had risen 64 times between 1980 and 1983 compared with 294-fold increase in London, Mr Jeker said.

The big three banks—Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse—intend to be among the big players in the emerging global financial market, a role in which many years of operating as "universal" banks should give them an edge.

They have installed themselves in London and New York, moved into Frankfurt in force during the past year and are pressing for securities trading licences as well as trust banking permits in Tokyo.

Stamp duty

But, the Swiss banks argue, fiscal shackles at home will in the longer run sap their competitive muscle. The big issue is the stamp duty on a wide range of financial transactions which, the banks claim, squeeze their profit margin and is driving away foreign business.

In a report to parliament last month the government came closer than it has done before to agreeing that something should be done about the stamp duty. The report suggested that charges might be reduced on money instruments with maturities of up to three months. That could open the way for a money market in Switzerland.

The report acknowledged that abandoning the duty on Eurobond trading could help the Swiss banks recover part of the business it ceded to London in the 1970s. It also envisaged the removal of the sales tax on physical gold transactions which could have a similar effect in bringing business back from London to Zurich.

Nevertheless, the government stuck to its position that in the very laudable interest of balancing the Federal budget any loss of revenue from an easing of stamp duty would have to be replaced with a new, more "neutral" tax on the banks.

The options are limited, especially since parliament has just decided that corporate taxes should not be changed. An extension of the sales tax to services could have complicating side effects. The banks have scoffed at a suggestion that charges be placed on fiduciary business and time deposits.

The upper house last month passed a motion which obliges the government to submit a Bill on the tax changes. That does not guarantee that the Bill will be acceptable to the banks.

The National Bank has supported the banks' efforts to obtain reductions in stamp duty, partly at least because it recognises that the stamp duty issue has to be resolved before it can change the rules limiting syndication of Swiss franc bond issues to banks based in Switzerland. If the duty remained after the removal of the syndication rule, the new issue business could move to London.

The big Swiss banks occupy an entrenched position here, guarding an advantage which nevertheless is being eroded by the foreign banks, especially the American ones, which have set up in Switzerland and have been stimulating the market with their innovations.

Some of these innovations are giving the National Bank headaches because they blur the question of whether the foreign banks are involved in primary issuing business, subject to National Bank approval, or only trading on the secondary market which is free.

The Bank is also uneasy about dual currency issues involving Swiss francs where it has to rely on co-operation from other central banks to enforce its syndication rules.

Dr Marcus Lusser, the Bank's vice president, stated publicly again earlier this month that regulations which had outlived their purpose should be abolished.

The Bank's first move could be to remove regulations stipulating that medium-term notes issued in Switzerland have to remain on deposit in the country and that their minimum denomination be SFr 50,000. The question is linked with the Bank's wish that more public information be provided by issuers of notes.

Many Swiss bankers would now like to bury the incident over the Marcos fortune. They reacted angrily to the government's sudden order to freeze the Marcos assets—supposedly because it had been told an attempt was being made to remove them. They anticipated that it would be interpreted abroad as driving another hole through Swiss banking secrecy. The initial reactions from their foreign clients showed the banks' forebodings to have been right.

Order was seen to have been restored in freezing the assets of Mr Jean-Claude Duvalier, the former president of Haiti, when the accepted legal procedure was observed. The new Haiti administration justified its request to the Office for Police Affairs for the freeze by stating that it intended to lay criminal charges against Mr Duvalier and would be applying for legal assistance from Switzerland under the law which provides for assistance in criminal cases but not for civil actions or cases of tax evasion.

Swiss banking secrecy is not absolute but it does call for evidence that funds can have derived from actions chargeable under Swiss criminal law as well as under that of the foreign country before magistrates will order banks to disclose details of the funds.

The banks appear to be right to blame the Government for acting precipitately. But the strength of their reaction has probably ensured that the Government will not claim in future that a precedent was set in the Marcos case.

Swiss banking and finance

	1984	1985
Bank assets:		
All banks	707,213	738,394
Big Five*	368,229	394,864
Foreign banks	87,931	92,222
Capital exports:		
Bond issues	11,150	16,850
Notes	19,337	19,448
Credits	10,137	10,088
Total	40,625	46,387
Stock exchange turnover:		
Zurich	308,337	451,703
Geneva	167,196	209,712
Basle	67,644	85,770
Monetary indicators:	per cent	per cent
Three-month Euro SFr rate†	4.75	4.96
Treasury bond yield†	4.77	4.57

* Bank Leu, Credit Suisse, Swiss Bank Corporation, Swiss Volksbank, Union Bank of Switzerland.
† At year end.
Source: National Bank.

Move allows more volume

Basle stock exchange

JOHN WICKS

BASLE'S 110-year-old Stock Exchange moved house at the start of this year. The new premises, which were officially inaugurated at the end of February, are three times the size of the former bourse and much better equipped. This means that business can now keep on growing, both in overall trading volume and by the introduction of new services.

Several years ago it had become obvious that the old Stock Exchange on Fischmarkt, which opened in 1908, was fast approaching full capacity. Securities trading in Canton Urban Basle had risen from SFr 9bn in 1965 to SFr 19bn in 1975 and went on rising to reach nearly SFr86bn last year.

As far as actual transactions are concerned, the number of "prices paid" more than doubled between 1980 and 1985, putting considerable strain on the bourse's restricted facilities.

Since the cantonal government is responsible for the Stock Exchange, the move required a local referendum. In February 1983, a majority of the electorate agreed to the grant of SFr 6m for the purchase of the former Bâloise Insurance headquarters on Aeschenplatz and almost another SFr 13m for its conversion into a bourse.

In fact, the taxpayers had no cause to feel put upon — the cantonal exchequer earns something like SFr 12m a year from licensing and listing fees.

The Basle bourse, like that of Geneva, may be overshadowed by the giant Zurich Stock Exchange, but it is much more than a second-string regional operation. Ranking at a respectable 14th place in the world ratings, it has long been an innovative organisation with an eye to the worthwhile niche.

With almost as many listings (362 shares and 2,063 bonds at the end of 1985) as Zurich, Basle has set the pace in Switzerland in share futures and recently extended nine-month trading to all eligible shares. It also plays a special role in US securities, being the first European Stock Exchange to begin trading in these every day—at 10 am local time—on the basis of the New York closing prices.

Elsewhere, the Basle-based Swiss Bank Corporation is a leading international specialist in Japanese and Swiss convertibles.

Although the "new" bourse is a stately neo-Baroque pile dating from 1910, it is well equipped to carry the exchange into the 21st century. As a particularly important feature, it has three instead of only two trading rings, permitting the simultaneous trading of Swiss and foreign shares. (A separate bond trading ring has been in existence in Basle since 1972.)

The increase in space means that each member bank can now have its own telephone room—before, half of the stockbrokers had to make do with a callbox—and, more significantly, that new members could now join. An expansion above the present 20 licences could perhaps lead to the admission of foreign banks, a degree of "internationalisation" has long been a dream of the Basle exchange.

The much better technical facilities of the Aeschenplatz building have already resulted in improved services. After having pioneered one- to three-month forward trading and extended this for selected shares to six and nine months in October, 1984, the Stock Exchange Chamber was able to start nine-month trading in all dividend-entitled shares other than registered shares and mutual-fund certificates on the opening of the new premises.

At the same time, forward trading began in bank shares. A bourse information programme was also launched—the first system of its kind in Europe—by which stock prices are "broadcast" via UHF frequencies direct to personal computers.

Realistic

Basle is realistic enough to know it cannot go it alone, however. The main thrust of technological development is taking place in close co-operation with two other major Swiss exchanges, in Zurich and Geneva.

According to Mr Dietrich Forcart, President of the Chamber, such joint projects include an improved market-reporting system (for introduction this June), electronic transaction processing (towards the end of the year), computer-assisted trading — primarily intended for unlisted or rarely-traded securities and foreseen for 1987—and the introduction of traded options and financial futures. The first traded options, probably in top Swiss shares, could be launched before the end of this year.

Elsewhere, some Basle stockbrokers have been looking at the possibility of creating a special venture-capital exchange. This might be organised in co-operation with Geneva and perhaps even start up this year.

The Basle bourse certainly shows no signs of becoming "provincial," despite the relative importance of local industrials in its market capitalisation. Apart from anything else, the Zurich Stock Exchange is hopelessly overloaded and will be until it moves into a new building in about 1991.

Recently, Basle has been benefiting from Zurich's problems. While the SBC naturally nurtures its local bourse, Union Bank of Switzerland has directed most of its branches outside Greater Zurich to conduct their stockbroking activities via Basle, and Crédit Suisse gives the green light to branches which prefer using Basle.

Over and above this, of course, Basle has its own specialities such as forward trades.

Whatever the case, 1986 has kicked off to a rousing start. In January and February the number of prices paid was up 43 per cent and turnover 51 per cent over the same period of last year.

Electronics aid the system

Geneva stock exchange

WILLIAM DULLFORCE

THE GENEVA stock exchange is Switzerland's oldest and now newest, having begun to trade from its new quarters in March with the official inauguration still to come in June.

It is the most advanced technologically, although the new Basle exchange will also shortly be installing the electronic floor reporting system which is the first step in the ambitious joint programme for modernising and linking the three biggest Swiss bourses—Zurich, Geneva and Basle.

Since March traders and exchange staff have been stepping across planks and using the one working scalator to enter the specially-designed four-floor module constructed within tha mass of concrete and steel arches currently being completed in the rue de la Confederation.

The new building is round the corner from the rue de la Corraterie where in a single room the Geneva bourse struck its first deals in 1850. The new site, between the old city and the lake, has posed some architectural problems.

Its foundations have been doubly reinforced to resist the pressure from the hill, up which the old city climbs. The floor of the stock exchange section is only four metres above the ground water level, necessitating the designing and installation of special damp control and air-conditioning equipment.

Acoustics, lighting and colour schemes have been carefully studied but for the dealers and staff the gain in sheer space is the most important benefit. The 4,500 square metres of floor space give almost eight times as much to play with as in the old building in the nearby rue Petiot that the bourse has occupied for the past 73 years.

Some 500 square metres contain the electronic heart of the exchange. The Apple computers have sufficient built-in capacity to cope with the automatic transaction settlement and computer-aided trading systems which will be the next steps in modernising the Swiss bourses—and eventually with trading in options and futures.

The scheme has taken six years from conception and will cost some SFr 60m ($31m) without the options and futures trading systems. But says Mr Kurt Schoeuwly, the exchange's director, Geneva is now joining the technological vanguard among the world's stock exchanges.

The new bourse has three trading rings, one each for Swiss shares, foreign shares and bonds, with space for 22 dealers at each. That is five more than the present number of authorised traders which include four of the five big Swiss banks and five of the six members of the prestige Association of Genevan private bankers.

The bourse commission will probably not decide on the allocation of the five extra seats before the end of the year. Some applicants may have second thoughts about the economic feasibility of taking a seat.

The entrance fee is SFr 200,000 and there is a once-only payment of SFr 300,000 for access to the telecommunications but the annual budget for a medium-sized trading operation employing 10 people is estimated to be between SFr 1m and SFr 1.5m. The applicant needs to be sure of reaching a considerable trading volume to achieve a decent return. Turnover in Geneva jumped by 25.4 per cent to SFr 210bn last year.

The Geneva exchange is the second biggest in trading volume after Zurich. Like Zurich and Basle, it trades the most important foreign stocks as well as Swiss shares. Its distinguishing characteristic derives from the 120 banks which have a home in Geneva and some 300 registered security dealers whose liveliest business is portfolio management.

The bourse has retained the traditional outcry system in the trading rings. Suggestions were made that the opportunity should be taken to go all-electronic but, according to Mr Schneuwly, the firm preference for face-to-face shouted exchanges expressed by Chicago dealers during a visit by the Swiss tripartite bourse commission, confirmed the Genevans' view that the traditional system gives the most effective market.

Geneva is, however, already operating the new electronic floor-reporting system which provides a dealer at the ring with real-time information on price movements on a screen and which eventually will link the three largest Swiss bourses.

A second screen gives the dealer access to the Investdata system operated by Telekurs, the information company owned by the Swiss banks, which covers some 130,000 securities quoted on 80 stock exchanges worldwide.

The automatic transactions settlement system to be run by the three Swiss bourses is due to begin on a pilot scale in Geneva in the autumn. Deals will be settled during the actual trading session and cassettes with magnetic tapes will be available at the end of each session for the banks to register transactions.

Now the Geneva exchange is set to pioneer an unlisted securities market for Switzerland. A project study has been made and demand identified, but the launching of the *deuxième marché* may be delayed by the need to use the human resources available to finish equipping the bourse with its electronic systems.

Recovery from recession

Engineering

JOHN WICKS

THE SWISS engineering industry, badly hit by the international recession of the early 1980s, continues to recover. Last year saw a marked improvement in demand for capital goods, both at home and abroad, which is already being reflected in sales and earnings figures.

Many individual manufacturers are still far from financial health but 1985 has at least put some colour into their cheeks.

According to the Swiss Association of Machinery Manufacturers (VSM), the value of new orders received by 200 of its member companies—which together account for most of the industry's output—rose 10.2 per cent last year to a record level of more than SFr 19.5bn.

Within this total, SFr 12.5bn was made up of foreign contracts, making an increase of 7.4 per cent evan though there were no really major single orders comparable with those placed in 1983 and 1984. Domestic orders jumped by 15.6 per cent to SFr 7bn, due not least to the awarding of local contracts for a new tank series.

This augurs well for the coming months. By the end of 1985 work in hand at 260 VSM companies was the equivalent of 7.4 months' output, as compared with 6.9 months a year earlier and an all-time low of 5.7 months in summer 1983, when every major product group in Swiss angineering had a backlog shorter than its average throughput time.

Order books are still nowhere near as thick as before the oil crisis but capacity rates are today much better than they were a few years ago; this is due, however, not only to increased demand but also to large-scale restructuring and the shedding of at least some of the industry's uneconomic operations.

Initial results are already available for industry performance in 1985 itself. Government figures show that turnover in the metals and machine-building sector rose by 9 per cent over 1984, while the VSM says output by the machine-building companies taken alone improved by 7 per cent. Overall exports for the so-called "metal industry" (including machinery, metal products, watches and aluminium) went up 13.3 per cent to a record SFr 33.88bn despite a rise of only 2.9 per cent in average prices.

A particular comeback was that of the machine-tool industry, which had been in a bad way. Last year Swiss exports in this sector jumped 30 per cent to a new record of over SFr 2bn. According to the Zurich-based body Wirtschaftsfoerderung, Switzerland is the most important foreign supplier of machine tools to the Japanese market, accounting in 1985 for almost one-third of Japan's imports in value terms.

The overall recovery is echoed in this spring's crop of annual reports. Among tha top names, Sulzer Brothers and Von Roll have returned to the profits zone on a group basis, Georg Fischer reports a marked risa in earnings and Brown Boveri expects an improvement.

Group profits fell slightly at Schindler, however, and the stricken Oerlikon-Buhrle concern expects that a poor showing of its armaments division will keep the consolidated aarnings figure down to its very modest 1984 level.

In terms of size, though, Swiss engineering seems unlikely to return to its heyday. Some 10 per cent of all jobs have been phased out in the past ten years, with some 110 production units closing down in the period 1981-85 alone.

In recent months employment has increased slightly (actual unemployment remains minimal at under 1 per cent of the workforce) and most employers questioned in a Government survey said they thought this trend would continue. Even though this will hardly lead to a major expansion in payrolls, it is yet another indication that things are looking up.

In any case, the re-dimensioning of the industry has been accompanied by a high degree of rationalisation. Since 1975 turnover of the metals and machine-building sector has increased by 39 per cent and machinery production alone by 52 per cent, despite the substantial shrinking in physical plant and labour.

Precision tools

Switzerland has also remained a force in the world mechanical-engineering market. Latest figures put it in second place as a producer of textile machinery and precision tools and fourth place in the printing-machine, machine-tool and steam-turbine sectors.

In fact, tha Swiss manufacturers have an even greater significance than these country-of-origin comparisons suggest in that an important part of the multinational companies' total capacity is located abroad.

This year has started encouragingly. "There's a good feeling about in tha industry," says VSM director Dr Martin Erb. The official Commission for Economic Studies in Berne forecasts a sharp rise in orders from Western European customers and a further acceleration in domestic demand as investments rise to meet high capacity use and a simultaneous need to improve productivity.

No figures are yet available for the first quarter of 1986 but it is generally assumed to have been a good one; the association is alreardy hoping for another satisfactory year, albeit probably with growth rates at below 1985 levels.

Swiss suppliers admittedly are no longer benefiting from the very atrong dollar rates of early 1985. The 35 per cent rise of the Swiss franc against the US currency since February of last year has not been accompanied by a comparable overall strengthening of the exchange rate, though.

Of particular importance to Switzerland is the fact that there has been hardly any alteration in the cross-rate to the D-Mark the Federal Republic being *not* only by far the biggest trading partner in engineering products but also the most powerful competitor on the world market. The virtually automatic adjustment of the Swiss franc following the recent realignment of the European Monetary System shows there is little chance of imbalance in Switzerland's trade relations with neighbouring Community members.

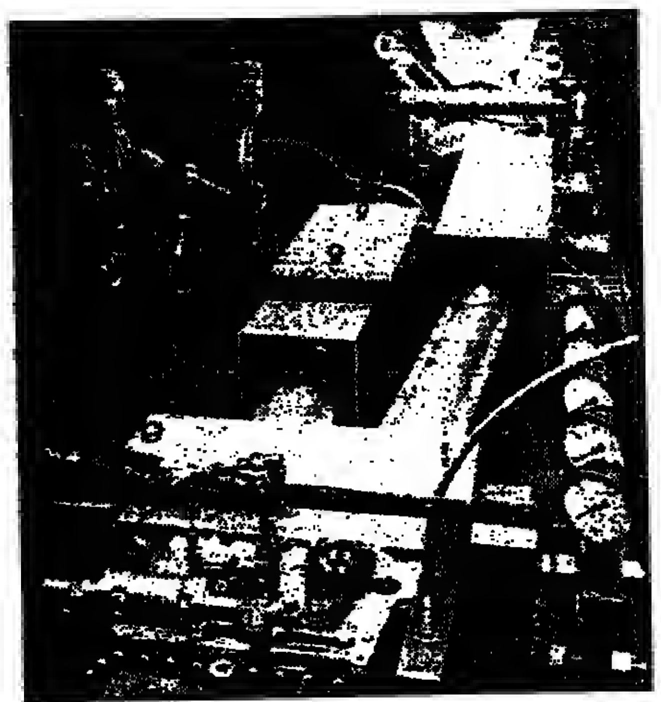
Generally speaking, Swiss machine-builders appear to be increasing deliveries to industrialised countries faster than those to other markets. This is the result primarily of reduced spending by oil-producing nations and threshold countries with heavy debt burdens. It also reflects that fact that tha national export-risk guarantee system has become dearer.

Today, probably less than 10 per cent of Swiss engineering exports are backed by the ERG programme, as compared with previous highs of up to 33 per cent. Insurance with the system can still mean the difference between obtaining or losing a major contract. For example, the authorities are still trying to decide whether to support a SFr 1bn order which Brown Boveri could be awarded in connection with the huge Marmara coal-fired power station in Turkey.

Another problem concerns innovation. Although the Swiss machine-building industry is said to have a surplus on its licensing balance amounting to billions, there are some misgivings that it is failing to keep up sufficiently well with modern technology.

At the last annual meeting of Motor-Columbus, Mr Michael Kohn, its chairman, drew particular attention to "the gap which has opened up in microelectronics and especially in the provision of sufficient education in data processing." He urged what he called a massive improvement in programmes offered by the federal polytechnics and technical colleges.

The companies themselves are trying harder in the field of research. While some of them appear to be banging on to traditional product groups with little real sophistication — and not much chance of renewed prosperity—more and more is going into R and D. By 1983, Swiss machinery and metal companies were spending an annual SFr 2.23bn on this (over SFr 1.5bn in Switzerland itself) and the figure has gone up substantially since then.



Test bench for heavy pistons at the Klus works of Von Roll

Savouring the results of an excellent year

Chemicals

JOHN WICKS

FOR MOST of last year the Swiss chemical industry had difficulty in savouring its good fortune to the full. A referendum proposal on December 1 sought a virtually total and immediate ban on animal testing, a move which would have dealt a body blow to the country's important pharmaceutical and agro-chemical facilities and led the Basle multi-nationals to relocate a substantial part of their domestic activities to foreign sites.

As unlikely as the motion was to gain a popular majority —in fact, it was thrown out by more than two to one—the mere possibility of its success was a sobering thought. It had been estimated that the ban would cost an eventual 13,000 jobs, most of them in the Basle area, and something like SFr 1bn in added value.

Now that the threat of that particular measure has been lifted, the industry can take stock of just how successful a year 1985 was. According to the Swiss Society of Chemical Industries (SGCI) in Zurich, which is usually cautious in its choice of adjectives, overall results were "good to very good" last year thanks to the continued economic upswing and the relatively low inflation rates in developed countries.

The society's statistics show a 6.2 per cent rise in chemical output and 8 per cent in turnover; Government figures were only slightly less positive at 6 and 7 per cent, respectively. Capacity utilisation rates, already excellent, were up again while production costs were kept down by the radical rationalisation policies launched in the early 1980s.

Turnover

Although no overall figures are available for the sales of Swiss chemicals, an idea of their magnitude is given by the fact that 1985 exports amounted to some SFr 14.1bn (a rise of 10.7 per cent over the previous year). It is generally assumed that at least 85 per cent of Swiss-made chemical products go to foreign markets, so industry turnover doubtless exceeds the SFr 16.5bn mark.

Chemical exports account for more than 21 per cent of all Swiss merchandise sales to the world market, their surplus over corresponding imports contributing nearly SFr 5.2bn to the country's balance of payments.

In fact, national indicators account for only part of the international significance of the Swiss producers, most of whose capacities are today outside Switzerland. The four Basle companies—Ciba-Geigy, Hoffmann-La Roche, Sandoz and the Alusuisse subsidiary Lonza—alone booked combined 1985 turnover in excess of SFr 37.3bn.

The already predominant "expatriate" sector of the industry continues to expand. This is particularly noticeable in the growth of the substantial Swiss presence in US chemical production. In the past 12 months Sandoz, Ciba-Geigy, Lonza and the Geneva-based flavours and fragrances specialist Firmenich have all announced new acquisitions in America; this quite apart from various Swiss joint-venture, capacity-expansion and research-agreement investments there.

The high liquidity of the Swiss companies, together with their keenness to crack new markets and enter into new technologies, will doubtless lead to a further series of take-overs this year.

It remains to be seen whether 1986 will prove quite so profitable for the industry as last year, when the "Big Three" (Ciba-Geigy, Roche and Sandoz) showed improvements in their consolidated net earnings ranging from 18.8 to 29 per cent. Return on sales, for many years definitely on the modest side in the Swiss chemical industry, was almost back to the levels enjoyed before the 1970s oil crisis.

Each of the major companies has proposed a dividend increase in respect of 1985—from the end of 1984 to the end of last year, the chemical share index of Swiss Bank Corporation jumped 67 per cent to little short of 1,000 points.

For the time being, business still looks good. While the industry has long ceased to benefit from the high dollar of the first half of 1985, international demand is holding up well and expected in Berne to stay satisfactory for the next few months at least.

Low dollar

Even a new fall in the dollar would probably have only a limited effect on the Swiss chemical multis, whose largely highly-specialised product programme allows of at least a certain price elasticity. There would, of course, be a translation loss in the group's important American earnings but a low dollar by the same token makes US subsidiaries more competitive.

The industry will still not be able to rest up, though. With the high Swiss standard of living and the strong currency, only sophisticated products are generally economically viable. Even the Basle chemical industry can find that some of its output is nearing commodity status, as shown by parts of its dyestuff and vitamin programmes.

The urgent and growing need for innovation bas long made the major Swiss chemical producers spend large shares of their income on research and development—up to 15 per cent of sales in the case of the so-called "biological" sectors such as pharmaceuticals, diagnostics and agro-chemicals. More than half of all industrial research expenditure in Switzerland is accounted for by the chemical companies as compared with probably less than 20 per cent in the US.

R & D spending for last year will have shown a further noticeable rise after having reached more than SFr 3.2bn at the four Basle companies in 1984. Even this might be barely enough, some observers claiming that Switzerland is no longer quite so innovative as it was.

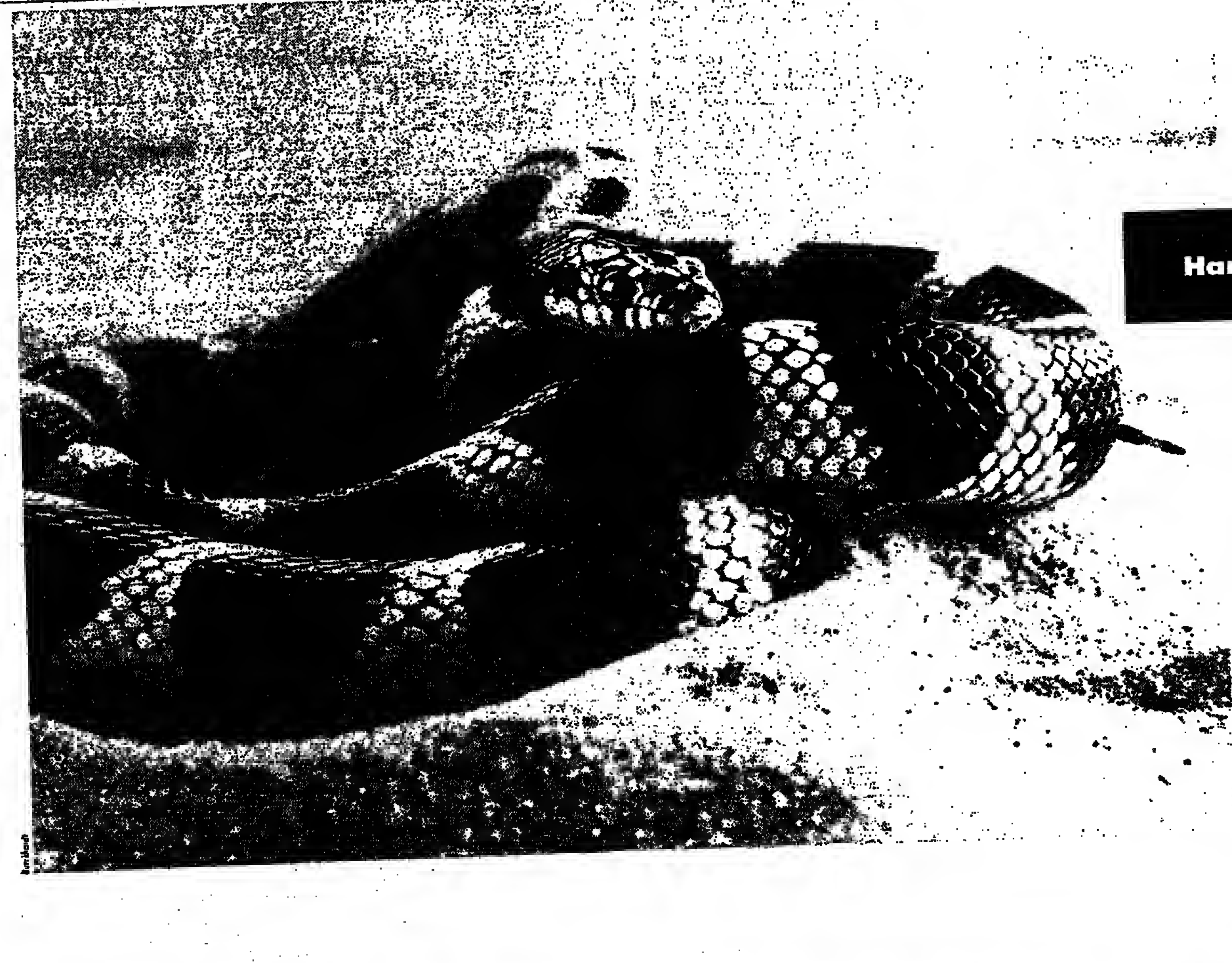
Nor are the chemical producers prepared to accept that their management and corporate structures are the last word in efficiency and efficacy, even after the large-scale re-thinking of a few years ago. "Few industries will change so quickly and radically as the health-care business," according to Mr Fritz Gerber, Roche's chief executive, when he heralded a re-vamping of top management last month.

Sandoz, for its part has decided to bring the pharmaceutical activities of its Berne-based subsidiary Wander (best known as the maker of "Ovaltine") to Basle, while concentrating its foodstuff activities in Berne; a recent re-structuring was carried out in the food business in the US.

At Ciba-Geigy, Dr Alexander Krauer—a trouble-shooter who some years ago straightened out the crisis-ridden Ilford subsidiary in England—has been nominated to succeed Dr Louis von Planta as chairman and managing director next year.

Among the smaller companies, the Siegfried concern of Zofingen has decided to introduce more of its equity to the market by creating participation certificates.

The chemical industry remains sensitive to external influences. Apart from the exchange rate, these include questions such as an erosion of patent protection, government action to bring down health-care costs, and international protectionism, says the SGCI. As the Sevesco disaster of the 1970s and last year's animal-rights campaign proved, the Basle managers also have to develop a feel for local public opinion: the next case could already be on its way with the promised Stanley Adams book about Ciba-Geigy. Generally speaking, though, the Swiss suffer less than some other nations from "chemophobia"—as they showed in the December 1 vote



Fashion circus lifts exports

Watch industry

W. L. LUETKENS

THE SWISS always did make good watches. Now they have learnt how to sell them in a world transformed by quartz technology and fierce competition from Hong Kong and Japan.

Quartz has made good timekeeping commonplace and cheap. As a high-wage country, Switzerland had to provide something extra when the Japanese almost brought the Swiss industry to its knees in the late 1970s.

That something extra was style, luxury or, in the lower price range, the almost impudent marketing circus of Swatch and similar watches as fun and fashion wear.

A good watch often used to last a lifetime. Now the makers of the plastic-cased variety are delighted to find that the real enthusiast may wear several of these new watches simultaneously. Swatch now plans two annual changes of styling to keep the fashion alive.

Mr Robert A. Hussy, an executive at SMH, the largest Swiss watchmaking concern and producer of the Swatch, sums up the Swatch revolution by saying: "It is so delightfully un-Swiss." Un-Swiss or not, the Swatch and others of its kind have helped to reassert Switzerland's primacy in world markets.

Though total exports last year of 57.3m watches and movements lagged well behind the 126m exported from Japan and the 399.5m exported from Hong Kong, by value the Swiss were well ahead: exports of SFr 4.3bn (about £1.5bn) in 1985 as against SFr 3.5bn from Japan and SFr 2.8bn from Hong Kong. (The figures are those of the Swiss Watchmakers' Federation. In the case of Hong Kong they are inflated because the colony imported watches and movements worth SFr 1.9bn in 1985, most of which were re-exported.)

A recent study of the industry, made by the Union Bank of Switzerland, states that the Swiss have regained market share since the near-debacle of the 1970s, to the point where they supply 10 per cent of world exports of watches and complete movements by volume, but 45 per cent by value. The Japanese share is about 35 per cent in both cases and that of the rest of Asia, including Hong Kong, 50 per cent by volume, but a mere 14 per cent by value.

Behind the figures there are several facts worth noting. Unlike Hong Kong, the Swiss have no truck with the very cheap and labour-intensive simple digital watch. Unlike the Japanese they are not committed to very high volume production, at the cost of some economies of scale, but gaining, instead, greater potential flexibility.

Finally, the figures demonstrate that the Swatch revolution, having taken place at the cheaper (though not the cheapest) end of the market, does not tell the full story of recent events.

Luxury

To be complete the story must include the luxury watchmakers, who are thriving, and the makers of watches in the middle price range, the sort of thing that used to be given as a 15th birthday present. It retails in Switzerland for SFr 150-500 (about £54-150), compared with about SFr 50 for the Swatch. The medium range makers still suffer from the traditional fragmentation of the industry, though Dr Daniel A. Kellerbals, director-general of the watchmakers' federation, feels that such diversity, provided it is not excessive, gives the chance to achieve the flexibility called for in an age when fashion and marketing are increasingly important.

Besides some very specialised businesses, such as makers of faces or bands, the federation still has 220 members who assemble complete watches, a number that is likely to decrease. Those who survive will have to show inventiveness in styling and technology, but also in their marketing.

Since that costs money, some makers have teamed up with owners of well-known brands of other consumer goods. The watches are sold under the label and through the outlets of these brands and made to fit their image.

This is a variation on the theme of the Swatch which has established its own brand image and given rise to a small industry producing accessories such as costume jewellery or sunglasses matching the current Swatch ranges. The Swatchmaker, SMH, commissions the goods and charges for the right to coppy the patterns.

The Swatch craze was the major element in SMH's return to profit. Consolidated profit for 1983 was zero, rising to SFr 26.5m in 1984. Figures for 1985 are not yet available: a forecast of SFr 86.5m was made last November, but has been rendered out of date by the decline of the dollar and by the need to rescue one of SMH's businesses, Omega.

But Mr Hussy says that none the less 1985 was a good year, and that the indications for 1986 are good. Of the dollar, he says that "we can just about live" with the present exchange rates.

For the Swiss industry as a whole it is important that SMH should do well, since its ETA division provides about three-quarters of the electronic movements needed in Switzerland.

Evidence that the concern, the biggest Swiss watch maker, has recovered from a bad patch came last year when a group of Swiss entrepreneurs, headed by Mr Nicolas G. Hayek, increased their small stake to 51 per cent of the shares and undertook to hold on to them for at least seven years. A group of banks, which still holds about 30 per cent, at the same time wrote off some SFr 230m it had provided to keep the concern (then still known as Asuag/SSIH) above water.

In the rarefied atmosphere of the Geneva luxury watchmakers, mundane events such as reconstruction or flagging sales are hardly known and certainly never breathed about. They do not talk much about their business, but as a rule cannot (and probably do not want to) keep up with demand.

One of the most aristocratic, Patek Philippe, gives a sales figure of about $40m for 1984. Output varies from 10,000 to 12,000 pieces, all hand-made. The price range, in Switzerland, ranges from SFr 5,800 for a plain gold watch with hour, minute and second bands only, to over SFr 500,000 for a piece made to order, decorated with jewels or enamel miniatures, incorporating a perpetual calendar and a repeater and showing the phases of the moon. It may be a stopwatch, too, and will even tell the time of day.

Patek Philippe, now owned by the Stern family of Geneva, claims to be the only watch company that will still decorate a watch for you with an enamel minature of your own choice. So delicate is this work that the artist may have to pull out a hair from her head to paint on the finer detail.

But the main interest of the business is in the perfection of its mechanical movements which appeals to the horological enthusiast fascinated by a works that may contain up to 800 hand-made pieces. About one in three of Patek Philippe's watches for men are mechanical but women seem to be more down to earth: the share of quartz movements is 60 per cent among the women's watches.

With engaging frankness, Patek Philippe describes the mystique of the hand-made mechanical watch as an "incredible anachronism." It seems to be one that enough people remain ready to pay for.

Highly-visible publicity: a huge Swatch watch hangs down the side of a Frankfurt bank

Swiss watchmakers - key figures

	1982	1985
Businesses in the industry	727	631
Labour force	35,151	31,949
Watch exports:		
Pieces (m)	18.5	25.2
Swiss Francs (m)	2,755	3,444
Exports of movements:		
Pieces (m)	12.7	12.4
Swiss Francs (m)	256	220
Exports of non-assembled movements:		
Pieces (m)	14.5	18.8
Swiss Francs (m)	81	139
Total exports (SwFr m)	3,502	4,311
Chief export markets (SwFr m):*		
1. US	450	790
2. Hong Kong	415	501
3. West Germany	247	360
4. Italy	321	342
5. France	250	278
6. Saudi Arabia	275	203
7. Japan	135	197
8. The UK	143	195

* As ranked in 1985.

Source: Swiss watchmakers' federation.

Labouring under a luxury image

Tourism

W. L. LUETKENS

DID YOU know that Cesar Ritz, "hotel-keeper to kings and king of hotel-keepers" as Edward VII is said to have called him, was Swiss-born — in 1850?

The youngest of 13 children of a peasant family in the Goms valley, he went on to start a string of luxury hotels on both sides of the Atlantic. His name, and the adjective "ritzy" have become bywords for luxury and high price.

It is a reputation with which the Swiss hotel and tourist industry has long flourished and under which it has laboured. The Swiss National Tourist office recently asked its offices abroad to find out what foreign tourists thought of Switzerland.

As often as not, the replies included a moan about high prices—though at times it was accompanied by a recognition that much value was offered for much money.

For the Swiss tourist industry and especially the hotel-keepers, that is really the only way towards managing the future. The industry is mature in the sense that it has probably reached the limits of its capacity.

Service

The chief selling point is a breath-taking landscape, but not the novelty associated with more distant destinations. You can add to that high standards of service (though some offices reported the occasional grumble), cleanliness and a reputation for law and order of growing importance in a world plagued by terrorism.

Another grumble was caused by the toll of SFr 30 (£11) which every tourist has to pay if he wishes to use the Swiss motorways. For foreigners it is levied at the frontier. If you're not in a hurry you can avoid motorways and tolls, but be careful to enter Switzerland on a road other than a motorway: otherwise you would be caught at once.

In addition to the limits to further expansion of the Swiss tourist trade, short-term prospects this year do look a bit difficult after a good 1985.

The Americans, who provide 12 per cent of the visitors but spend 25 per cent of the money left in Switzerland by tourists, will be labouring under the sharp decline of the dollar.

The number of overnight stays by Americans may fall off by 10-15 per cent this year, according to Mr Helmut Klee, deputy director-general of the National Tourist Office. That would still be well above the levels of the 1970s, since American overnight stays doubled between 1980 and 1985.

Mr Klee hopes for a slight increase in visits from West Germany, which could fill the gap given that the Germans were easily the largest national contingent among the foreign tourists who spent 78.4m overnight stays in Switzerland last year.

He also hopes for a continuation of the slow increase of British visits seen in the past five years.

Asked to explain the trend, Mr Klee says he has no obvious explanation but wonders whether the long established interest of the British in Swiss amenities has something to do with it.

The British were among the first to discover the beauties of the Swiss mountains in the 18th century and were in at the birth of the winter season — now an important money spinner. In 1864 Johannes Badrutt, of St Moritz, bet a group of English people that they would enjoy the snows of the Engadine valley more than a London winter.

It was a bold assertion, however obvious it may sound nowadays. If he was wrong, said Badrutt, he would refund the English visitors' travelling expenses. They never claimed the money.

From those beginnings there grew winter seasons which now attract almost half the annual visitors to Switzerland. Moreover, winter guests usually spend more money than those in summer. Yet winter, as a second tourist season, has diminished but not banished the industry's gravest problem, the seasonal under-use of capacities in hotels and other tourist facilities.

On average, hotel beds in the tourist areas are occupied on only one day in three of the whole year. That is often not enough to pay for depreciation and new investment after meeting interest charges and an adequate profit. The Government has recognised that and offers loans for the modernisation of existing hotels at the almost nominal interest of 1 per cent.

Money is not available for new hotels because the Swiss have recognised that they have done enough building if they are not to wreck the amenities and the environment that are their principal asset.

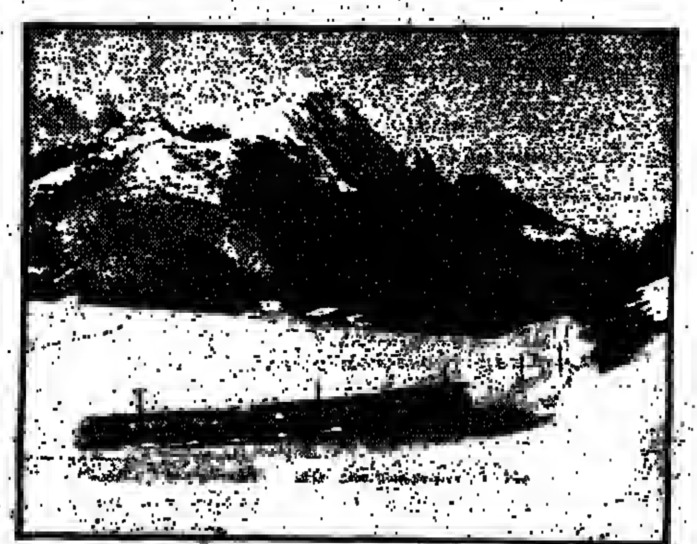
Mr Klee says that Switzerland will not be able to share fully in the doubling of world tourism expected by the end of the century: "We do not want to destroy our country for a short-term return on investment."

The implication is that the Swiss will have to concentrate on ever-better quality if they are to stay in the race. The national importance of success is illustrated quickly by a key figure. Swiss income from foreign tourists last year came to a net SFr 3.1bn (after deducting Swiss expenditure abroad).

Judging by some of the complaints relayed to the national Tourist Office from abroad, tourists are especially irritated by the rash of chalets for rent around many resorts.

Much damage has been done, but the chalet boom may be over. With many holiday homes occupied for only six or eight weeks a year, chalet prices have passed their peak. Restrictions on sale to foreigners have also helped to arrest the expansion of these often ugly accretions to picturesque villages.

In this area, more than any other, the limit of what is practicable has probably been reached.



Narrow-gauge train in the Montreux-Bernese Oberland

Where the tourists came from - 1985

Main countries of origin	Overnight stays (m)	Change from 1984 (%)
Switzerland	39.5	+ 0.1
West Germany	14.5	+ 0.8
The US	3.6	+ 7.1
Netherlands	2.8	− 4.8
The UK	2.7	+ 0.5
France	2.5	+ 0.9
All countries	74.8	+ 0.8

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday April 30 1986

Sperry buoyed by computer division

By Paul Taylor in New York

SPERRY, the US computer, defence electronics and aerospace group, reported a 7 per cent gain in fiscal fourth quarter income from continuing operations buoyed by strong revenue gains from commercial computers.

In its final fiscal quarter ending March 31, Sperry reported earnings of $115.3m or $2.02 a share compared with $107.4m or $1.91 a share in the year-ago period. Fourth quarter revenues grew by 13 per cent to $1.8bn from $1.59bn. In the year-ago period a $1.5m loss from discontinued operations made final net earnings of $105.9m or $1.89 a share.

For the full year Sperry posted earnings from continuing operations of $280m or $4.92 a share, down three per cent from $288.6m or $5.18 a share in the year-ago period but up 7 per cent if favourable non-recurring gains in the year-ago period are excluded. Revenues increased by 15 per cent to $5.74bn from $4.97bn.

Full year net earnings fell sharply by 84 per cent to $46.8m or 82 cents a share from $286.7m or $5.15 a share in the year-ago period. Virtually all of the decline in net earnings was attributable to the previously reported $233.2m or $4.10 a share after-tax loss from the sale of Sperry's New Holland farm equipment business.

Sperry noted that commercial computer operations achieved revenue and profit gains of 13 per cent and 15 per cent for the quarter and 21 per cent and 22 per cent for the year. Orders rose by 23 per cent in the quarter and 10 per cent for the year but order backlog fell by 17 per cent.

Defense and aerospace operations achieved revenue and profit gains of 14 per cent and 7 per cent for the quarter while for the year revenues rose by 9 per cent and operating profits declined by four per cent. Orders jumped by 39 per cent in the latest quarter and rose by 7 per cent for the year.

Commenting on the results, Mr Gerald Probst, Sperry's chairman and chief executive, said: "We believe the results of our continuing operations were satisfactory in the light of the slowdown in the US computer industry and some problems in our defence and aerospace business.

"Revenue and operating profit gains of more than 20 per cent in our commercial computer operations were offset in part by lower profits of our defence and aerospace operations which experienced a strike and production problems which have been largely overcome."

Eastern Air Lines blames fare cuts for loss in quarter

BY OUR FINANCIAL STAFF

CUT-PRICE fares and strike threats sent Eastern Air Lines, the large US carrier which is the subject of a proposed merger with Texas Air, plunging deep into loss in the first quarter of 1986.

For the three months net deficit emerged at $110.63m, or $1.82 a share, compared with a profit of $24.3m, or 35 cents, a year earlier. Revenue slipped to $1.13bn from $1.22bn, despite clocking up 8.3bn passenger miles this time, against 7.9bn miles in the first quarter of 1985.

The loss comes after the airline's first year of profit since 1979. For the whole of last year net profit reached $5.9m, compared with a $38m loss in 1984 and a record $184m loss in 1983.

Mr Frank Borman, chairman and chief executive of the Miami-based airline, described the latest results as "disappointing." He attributed the setback to industry-wide fare discounting and consumer uncertainty over strike threats at the company.

Most of the losses occurred in the first two months of the quarter with March showing near break-even. Significant cuts in labour costs would favourably affect the carrier's results for the remainder of 1986, Mr Borman added.

At the operating level there was a loss for the quarter of $57.1m, against $78.5m profit a year ago. The yield, measured by revenue per traffic mile, dipped to 12 per cent from 13.9 per cent.

Eastern is the second largest US carrier in terms of passengers carried. It said it was also hit by e rise in fuel and oil expenses, which amounted to $242.6m, against $241.9m.

Mr Borman said he expected Eastern's proposed merger with Texas Air to be completed no later than August 31. The merger requires approval of the US Department of Transportation and Eastern's shareholders.

● General Dynamics, the US defence and aerospace group, reported a 16 per cent decline in first quarter earnings from continuing operations. The St Louis group cited losses at the recently acquired Cessna Aircraft unit together with higher interest charges related to the Cessna acquisition.

First quarter earnings from continuing operations fell to $70.1m or $1.64 e share from $83.6m or $1.98 a share a year earlier on sales up to $2.1bn from $1.9bn. In last year's first quarter, earnings from discontinued operations lifted final net earnings to $92.7m.

The group said the fall in earnings was wholly attributable to the Cessna light aircraft business acquired last October. Cessna lost $17.3m in the quarter including a $1.6m amortisation of acquisition costs.

The group, which has received a number of large government contracts following the lifting of a Pentagon contract suspension in February reported an end-quarter funded backlog of $17bn compared with $15.4bn a year earlier. The total backlog grew to $23.5bn from $22.4bn.

SKF hit by losses in US subsidiary

By Kevin Done in Stockholm

SKF of Sweden, the world's leading bearings manufacturer, suffered a drop of 7.4 per cent in profits in the first quarter of the year despite a modest 4 per cent increase in turnover.

Profits (after financial items) fell to SKr 359m ($51.4m) from SKr 388m in the same period of 1985. Group sales rose to SKr 5.14bn from SKr 4.95bn a year earlier.

The earnings of SKF's bearings division, which accounts for more than two thirds of group profits, dropped 12.7 per cent to SKr 247m from SKr 583m in the first three months of 1985.

SKF said the fall was due to losses by the group's US subsidiary. It claimed, however, that the rationalisation programme being implemented in the US was beginning to result in increased productivity. It is still negotiating the takeover of TRW's MRC rolling bearing division in the US.

The group said demand for rolling bearings in Europe continued to improve, but market conditions in the US were unchanged from the last quarter of 1985.

SKF failed to detect any improvement in its US car components business and decided to close pistonring production at its plant in St Louis.

In its other main business areas, SKF showed a small profit of SKr 9m from its steel operations on a turnover of SKr 865m compared with a profit of SKr 8m on a turnover of SKr 895m in the first quarter of 1985. Earlier this month the group announced plans to merge its steel operations with Ovako of Finland into a new company, Ovako Steel, in which SKF will hold a 50 per cent stake.

Profits of the cutting tools division were virtually unchanged at SKr 55m, while the components division improved its result by 23 per cent to SKr 48m.

SOMMER-ALLIBERT PLANS INTERNATIONAL ACQUISITIONS

Plastics company stretches out

BY PAUL BETTS IN PARIS

SOMMER-ALLIBERT is one of the leading plastic transformation groups in Europe employing 8,000 people with an annual turnover of more than FFr 5bn ($725m).

It now manufactures a range of plastic products from garden and bathroom furniture to plastic floor and wall materials, dashboards and other products for the car industry as well as packaging products.

The company has 43 subsidiaries and a presence in 16 different countries. More than 40 per cent of group sales are outside France and Mr Bernard Deconinck, the chairman, is about to finalise important agreements in the US and in China.

In North America the group planned to acquire a stake in Domco, Canada's leading manufacturer of plastic floors and coverings, and to open an American manufacturing plant to increase its presence on the American market. In China it is negotiating to build an industrial plant to manufacture plastic wall and floor coverings.

But Mr Deconinck's drive in both

Bernard Deconinck: great future in plastics.

the North American and Far East markets follows several years of restructuring the group's French plastic floor and wall covering business. The reshaping followed the merger of Mr Deconinck's Allibert concern with Sommer in 1972.

Until then, Allibert had grown around three core plastic businesses including bathroom products, industrial products for the car industry and container and other packaging products. Sommer was about the same size as Allibert, which also specialised in plastic flooring and textile materials but had fallen behind in investments and needed new products.

Mr Deconinck acknowledged that the merger presented him with a challenge. But it took 10 years to make Sommer recover as one of the leading manufacturers of plastic floors, he said.

This renewal effort is reflected in the FFr 1bn Sommer-Allibert has invested during the last five years to automate and streamline its manufacturing systems, acquire and develop new machine tools and modernise administrative systems.

The group is now reaping the fruits of the restructuring efforts, reporting net earnings of FFr 100m after a loss of about FFr 80m the year before. The loss in 1984 reflected exceptional charges to cover the liquidation of a property business in West Germany. The liquidation of the German property business was the final chapter in the clean out that has taken place at Sommer.

Without the special provisions, the group earned FFr 60m from its operations in 1984. For 1985 sales rose 8 per cent.

The group planned to spend FFr 350m on industrial investments this year, and FFr 250m on financial investments and foreign development during the next two years. These would include the new ventures in the US and Far East. The group also planned to strengthen its industrial presence in Europe.

In the euphoric climate of the Paris Bourse, Sommer-Allibert has at times been mentioned as a possible takeover candidate. But any hostile takeover would be an uphill task because the group's share capital is pretty firmly tied up. Mr Deconinck's family holding owns just less than 30 per cent of the company but he also has 45 per cent of voting rights.

Berliner Bank boosts profits 14% to DM 30m

BY LESLIE COLITT IN BERLIN

BERLINER BANK, which took its first step toward privatisation in 1984, boosted operating profits by 14.9 per cent last year to DM 30m ($13.8m). An unchanged dividend of 12 per cent is being proposed.

The bank, which has 26 per cent of its shares in public hands with the rest held by the City of West Berlin, might seek to expand further its equity base this year. Dr Dietrich Nebelung, spokesman for the board, said if business continued to develop favourably this year a larger dividend was likely.

The parent bank's balance-sheet total rose 5.4 per cent to DM 13.2bn and that of the group by 7.3 per cent to DM 26.6bn.

Interest profits for 1985 rose 4.2 per cent to DM 342m at an average interest margin of 2.6 per cent. The margin in the first quarter of this year fell to 2.5 per cent.

The bank's Frankfurt subsidiary, its oldest, continued to be the most profitable among its West German subsidiaries. Berliner Bank profited from the high growth rate in West Berlin last year, which exceeded that in West Germany

Unlike other West German banks, Berliner Bank placed more in hidden assets, which are non-taxable, than in taxable reserves. Dr Nebelung explained this by noting the bank had high costs and could not easily be compared with other banks.

UAP expects earnings to rise again in 1985

BY PAUL BETTS IN PARIS

L'UNION des Assurances de Paris (UAP), France's largest state-controlled insurance group, is due to report a sharp rise in consolidated net earnings to about FFr 2bn ($290m) for 1985 compared with earnings of FFr 1.34bn the year before.

The latest earnings rise follows profit increases of 40 per cent in 1984 and the previous year. UAP's turnover rose 15 per cent to FFr 32bn last year from the previous year, which is above the French insurance industry average of about 12 per cent.

UAP and the two other large state insurance groups, AGF and GAN, are among the leading candidates for early privatisation by the new right-wing Government. At present, the state owns 89 per cent of UAP's capital and could initially shed up to 25 per cent of its shares in UAP on the stock market without passing new legislation.

UAP, which also owns Banque Worms, the French investment bank, saw its financial performance boosted last year by a strong increase in life insurance business.

The bull market on the Paris bourse has also substantially increased the value of UAP's extensive share portfolio.

Gains from the group's different operations more than offset the FFr 400m of claims caused by freak cold weather last year.

Bethlehem Steel chief to retire amid shake-up

BY TERRY DODSWORTH IN NEW YORK

BETHLEHEM STEEL, the beleaguered US steel company which ran up further heavy losses in the first quarter of this year, said that Mr Donald Trautlein, its chairman for the last six years, would retire at the end of May.

Mr Trautlein's decision to step down from one of the most difficult jobs in the US industry comes shortly after he relinquished the post of chief executive to Mr Walter Williams, the former president of the group. No successor has been appointed yet.

He will leave the group in the middle of a reorganisation aimed at trying to raise cash through the sale of assets that are not central to Bethlehem's steelmaking business.

The sale of one of these operations, the Kusan plastics and building products unit, was announced for a total of $163m. Earlier this year, Bethlehem disposed of Tull Industries, its metals distribution and processing subsidiary, for $100m, and the company said it expected to receive at least $300m during the course of the year from asset sales.

Net losses in the first quarter, including a $15m charge for anticipated losses relating to oilfield equipment, amounted to $91.8m against a deficit of $62.1m in the same period of last year, while sales slid to $1.17bn from $1.21bn.

Bethlehem put the main blame for the deepening losses in the quarter on depressed prices in the industry. Operating losses in the basic steel business amounted to $36.4m, and in the steel-related segment to $13.1m, while in the diversified segments operation, the group made an operating profit of $1.8m

The company said Kusan would be sold to a team of managers at the plant, and will give the company a recognisable gain of over book value of at least $50m. Mr Williams said the sale was based on the company's belief that in the near term it must devote its resources to the steel business "in order to return to profitability."

Sandoz plans further acquisitions

By John Wicks in Zurich

SANDOZ, the Swiss chemicals concern, intends to continue or accelerate its big acquisition programme, according to Dr Marc Moret, the managing director.

On the basis of last year's takeover activity, this could mean expenditure of some SFr 800m–SFr 900m ($444m-$500m) or more this year. Dr Moret said acquisitions could benefit all divisions. Growth was intended to remain within the framework of existing product groups.

Sandoz proposed a rights issue of more than SFr 217m to enable the acquisitions.

Shareholders will be asked to approve a one-for-10 issue of 83,029 registered shares, 5,029 bearer shares and 113,199 participation certificates at a price of SFr 1,800 per share and SFr 360 per certificate.

The board will also ask for permission to issue 100,000 bearer shares and create up to 500,000 participation certificates. This new equity, which would be without drawing rights, would serve to back new convertible or warrant bonds or for other purposes.

An additional 20,000 registered shares, also without shareholders' drawing rights, is intended to be issued to Sandoz employees.

The board announced it would recommend payment of centenary bonuses of SFr 20 per share and SFr 4 per participation certificate. This is over and above the increased regular dividends of SFr 100 (1984: SFr 90) and SFr 20 (1984: SFr 19), respectively.

Last year parent company earnings rose 20.4 per cent to SFr 135.3m and consolidated profits by 28.7 per cent to SFr 529m.

Due largely to the stronger Swiss franc, first quarter group sales were down 4 per cent on corresponding 1985 levels to SFr 2.19bn. In terms of local currencies, turnover rose by 14 per cent.

Hanomag to seek listing to aid growth

By Rupert Cornwell in Bonn

HANOMAG Baumaschinen Produktion und Vertrieb, the reborn West German construction equipment concern plans to become a public company at the beginning of 1987 to increase its ability to tap the country's capital markets for fresh funds.

This latest stage in the rebuilding of Hanomag, after the bankruptcy of the former Hanomag, was revealed yesterday by Mr Wolfgang Freimuth, its managing director, amid further evidence of the company's growth since its inception in April 1984.

According to Mr Freimuth, Hanomag expects to sell about 1,550 machines in 1986, generating a turnover of about DM 320m ($148m) compared with DM 255m last year. He gave no details of 1985 profit, although the new company earned a net DM 15m in its first business year, between April and December of 1984.

Orders in hand stand at DM 75m, representing 430 machines, and the company intends to boost its workforce by 100 from the present 1,200 to cope with demand. Mr Freimuth said Hanomag's share of the West German domestic market for wheel and tracked loaders was 22.6 per cent.

Nedbank profits fall to R32m at mid-year

BY JIM JONES IN JOHANNESBURG

NEDBANK, the troubled South African banking group, has confirmed analysts' fears with publication of sharply lower interim profits. Income and business activity both registered sharp declines in six months to March 31 1986 as management came to grips with a sharp drop in foreign activity and the effect of large losses in the group's gilt and loan portfolio.

The first half after-tax profit fell by almost one-third to R32.2m ($10.3m) from R46.2m in the corresponding year-ago period. The decline in business activity was underlined by the 15 per cent drop in advances and loans to R9.09bn on March 31 from R10.64bn six months earlier.

In the last financial year, which ended September 30 1985, the bank disclosed an after-tax profit of R91.3m.

Two months ago Nedbank parted company with Mr Rob Abrahamson, its managing director, and simultaneously announced a R345m rights issue to restore the capital base which had been badly eroded by losses. Some of the bank's principal shareholders reportedly refused to participate in the capital raising exercise unless the bank improved its level of disclosure. As a result the bank has for the first time disclosed operating profit, provisions for bad debts and tax liability.

At the halfway stage the group earned a consolidated operating income of R88.5m from which it has provided R43.3m to cover bad and doubtful debts. As a result the pretax profit was R45.2m. The directors hope the pre-tax operating income will total R185m for the current financial year.

A large part of the bank's problem arose from its policy of borrowing short-term money abroad and extending medium-term loans to South African borrowers, said directors.

INTERNATIONAL COMPANIES and FINANCE

Continental Airlines hit by fare discounts

BY TERRY DODSWORTH IN NEW YORK

CONTINENTAL Airlines, the US airline run by the controversial Mr Frank Lorenzo, made a loss in the first quarter of this year because of industry-wide fare discounting.

The net deficit of the Houston-based airline, the main operating subsidiary of the Texas Air Group, amounted to $13.6m, or 60 cents a share, against oet income of $15.1m, or 56 cents a share, in the same period last year. Revenues increased by almost 22 per cent to $442m from $363m.

Cootinental said the results were not unexpected, "due to the competitive environment in the industry during the traditionally slow first-quarter travel season." It warned that fare discounting was continuing into the second quarter.

The difficulties faced by Continental in the fierce price-cutting battle now being waged in the US aerospace industry were reflected in the results of Texas Air, which also swung into loss in the first quarter.

Texas Air's net deficit amounted to $6.5m, or 42 cents a share, against net income of $12.8m, or 72 cents a share, in the same period of last year, wben the company had the benefit of a $7m extraordinary credit for tax loss carryforwards.

Revenues for the group, which also embraces New York Air and CCS Automation Systems, rose to $511m

Unocal suffers from bid defence costs

BY OUR NEW YORK STAFF

UNOCAL, the Los Angeles-based US oil group, blamed higher interest costs and lower crude oil prices for a sharp decline in first-quarter returns.

Net earnings fell 61 per cent to $70.2m, or 60 cents a share, from $180.7m, or $1.04 a share, in the same period last year on revenues down 18 per cent to $2.28bn from $2.78bn.

The per share earnings are based upon 116.3m outstanding shares, down from 173.8m a year earlier. This reflected Unocal's repurchase of a third of its common stock as part of its successful defence in fending off a takeover bid last year by Mr T. Boone Pickens.

Mr Fred Hartley, Unocal's chairman and chief executive, said higher interest costs arising from the takeover defence and lower worldwide crude oil prices together accounted for $103m of the $110m decline.

In addition, Unocal said returns were adversely affected by lower national gas production and lower nitrogen product sales. These negative factors were partly offset by higher margins on petroleum product sales and lower administrative expense.

Saudi Arabia's "predatory pricing war" posed a serious threat to the domestic petroleum industry and the company was taking the necessary steps, including capital expenditure cuts, expense reductions and necessary actions to increase productivity, to adjust to this adverse environment."

Tenneco boosted by accounting policy change

TENNECO, tha Houston-based conglomerate, announced that it was altering its accounting policies for its oil and gas operations to reflect deteriorating energy prices, writes Terry Dodsworth in New York.

After the policy change, which included a restatement of prior year's earnings, last year's first-quarter profits of $63m were altered to a net loss of $54m, or 46 cents a share. That compared with net income this year of $124m, or 73 cents a share.

Sales rose in the quarter to $3.9bn from $3.7bn.

Tenneco said it would in future account for its oil and gas business on a "successful efforts" basis rather than the "full-cost," method, in accordance with the financial accounting standards board view that "successful efforts," was the more appropriate way of measuring oil and gas exploratory efforts.

The change increased net income in the first quarter of 1986 by $20m, or 13 cents a share.

Boeing profits up 35%

BY OUR NEW YORK STAFF

BOEING, the world's largest aircraft manufacturer, registered a 35 per cent increase in net profits in the first quarter of this year. The increase was helped by rapid growth in the sales volume of both its commercial and military products.

Earnings by the Seattle group jumped to $148m, or 95 cents a sbare, from $110m, or 75 cents a sbare a year earlier, while sales leapt to $3.5bn from $2.9bn.

The earnings advance was even more pronounced at pre-tax level, rising by 41 per cent to $233m from $165m. Boeing said the increase had been offset to some extent by an increase in research and development costs. The company has also been spending more heavily on commercial transport aircraft, future military and space programmes, and computing and electronics technology.

Deliveries in the quarter rose to 50 aircraft from 48 last year, and the company is expecting to ship a total of 190 units by the end of 1986.

Boeing's order book has strengthened, with $5bn of new orders taken during the first quarter for a total of 75 aircraft. In the comparable period of last year, 23 aircraft were ordered with a value of $1bn.

The new contracts brought the firm's backlog of unfilled orders up to $25.4bn from $24.7bn

Boeing's figures were also helped in the quarter by a rise in interest income, attributable to its improved cash position.

INTERNATIONAL COMPANIES and FINANCE

Modest net advance at OK Bazaars

By Jim Jones in Johannesburg

OK BAZAARS, one of South Africa's largest retail chains, has suffered one of its most difficult trading years but managed a slight increase in attributable profits.

Turnover rose by 4 per cent to R2.04bn ($997.6m) in the year to March from R1.96bn, but pre-tax profits emerged 4.6 per cent lower at R24.1m against R25.3m. A lower tax bill resulted in a small increase in the attributable, after-tax profit to R12.3m from R12.2m.

The directors say that prolonged recession combined with high inflation and rising unemployment severely affected spending ability of the middle and lower income consumers, who constitute the majority of OK's customers. This, the board says, made the past year the most difficult in the company's history.

A relaxation of hire purchase controls helped to increase sales in the second half of the financial year, but many consumers remain wary of taking on extra debt commitments. Sales of high-margin durables remain weak as consumers place greater proportional emphasis on buying non-durables.

The company expects consumer spending to remain under severe pressure during the current year, but believes that South Africa is starting to move out of its recession and that this year's earnings should be higher than those of last year.

Earnings totalled 100.8 cents a share against 100 cents and an unchanged total dividend of 60 cents has been declared.

OK Bazaars is controlled by South African Breweries, which in turn is indirectly controlled by Anglo-American Corporation, South Africa's largest mining and industrial group.

● Romatex, a leading South African textiles and floor coverings manufacturer, suffered a sharp reduction in sales volumes in the six months to March. Nevertheless, the company succeeded in increasing both the interim revenue and profits and has raised the interim dividend.

Turnover rose by 3.5 per cent to R215m from R206m, and pre-tax profits were R5.8m against R4.5m. The director say that demand for consumer durables continues to decline.

First-half earnings per share increased to 14.7 cents from 10.8 cents, and the interim dividend has been raised to 6 cents from 5 cents. Romatex is controlled by Barlow Rand, the industrial and mining group.

Second successive fall at largest Abu Dhabi bank

BY KATHLEEN EVANS

NATIONAL BANK of Abu Dhabi, the largest bank in the United Arab Emirates, has recorded a 66 per cent drop in profits during 1985 because of the need to make increased provision on its local loan portfolio.

Net profits fell from Dh 37.3m ($10.1m) to Dh 12.67m last year. This is the second year running that the bank has experienced a substantial drop in net profits—figures for 1984 showed a similar fall of 67 per cent.

The year-end balance sheet also showed a decline to Dh 20.7bn from Dh 21.5bn. Bank officials blamed deteriorating credit conditions in the country as the main reason for the increased provisions taken in 1985, which amounted to Dh 206m, compared with Dh 133m.

National Bank retrenched considerably last year. Some 20 per cent of its staff were made redundant during the period and its offices in Tokyo, Singapore and Port Sudan were closed. A new operation was established in Sydney, however.

The results were roughly in line with expectations by the banking community in the Emirates, where many of the major institutions are still negotiating with the central bank on the extent of their own loan loss provisions.

There are some suggestions that two major banks in the country, Abu Dhabi Commercial Bank and the Dubai-based Union Bank of the Middle East, will need further injections of funds from their local government shareholders.

Abu Dhabi Commercial was formed following a forced merger of three local banks in difficulties, while Union Bank has also been called on to absorb two other smaller banks.

Substantial interest exists, therefore, about how the two institutions have been able to absorb the bad debt legacy they inherited. Officials in Abu Dhabi say that Abu Dhabi Commercial has already received some Dh 500m from the central bank in the form of three-month cheap government deposits. However, the bank itself refused to comment on the reports. Union Bank officials said they hoped to issue their figures later this year.

Japanese stores show recovery

BY YOKO SHIBATA IN TOKYO

AGAINST the background of steady growth in sales, Japan's five major department stores have reported an earnings recovery for the year to February.

Strengthened product lines and tighter inventory controls brought about by the introduction of on-line point-of-sale systems improved operating profits.

The recovery was particularly marked at Mitsukoshi and Daimaru. Mitsukoshi achieved its first operating profits in four years—Y2.5bn ($14.9m) against a loss of Y3.57bn a year before—thanks to the implementation of better inveotory controls and other cost-cutting efforts.

The positive factor in Daimaru's earning recovery was a marked improvement in its financial balance arising from a Y10bn loan repayment.

Sogo achieved its earnings growth largely by expanding the sales floor at its Kobe store, while Takashimaya drew benefit from its efforts to reduce the depreciation burden and cost of sales. An improved financial standing also contributed to Matsuzakaya's earnings following a loan repayment.

For the current year, the five stores groups foresee a slackening growth treod in individual spending, but their sales and profits are expected to recover further through a streamlining of managements.

Takashimaya expects to set a new record for pre-tax profits after four years and Sogo is forecasting a third consecutive yearly record.

JAPAN'S LEADING DEPARTMENT STORES

Parent company results (Ybn), year to February 1986

	Sales	Pre-tax profits	Net profits
Mitsukoshi	566.4 (+4%)	7.25 (+249%)	1.74 (+377%)
Takashimaya	501.5 (+3%)	11.58 (+15%)	3.58 (+58%)
Daimaru	494.0 (+1%)	2.14 (+125%)	0.74 (+5,214%)
Matsuzakaya	362.5 (+4%)	8.15 (+6%)	3.11 (+27%)
Sogo	222.1 (+9%)	6.73 (+13%)	2.57 (+38%)

MIM Holdings held back

MIM HOLDINGS, the Queensland mining group, said yesterday its earnings in the 40 weeks to the end of March were hit by an A$9.8m (US$7.2m) exchange loss, the two-week strike at its Mt Isa base metal mine last November, nine days' output lost through national coal strikes and lower metal and coal prices, Reuter reports from Brisbane.

The group reported a turnround to A$16.21m net profits in the period from an A$52.15m loss a year earlier but said it incurred an A$14.58m net loss in the last 16 weeks to March 31 against an A$25.65m loss a year earlier.

MIM—38 per cent owned by Asarco of the US—also cited continuing losses by the 40 per cent owned Agnew nickel mine in Western Australia.

Offsetting the negative factors was a 22 per cent increase in sales to A$990.10m in the 40 weeks to A$812.43m, mainly because of higher sales volume.

The benefits of cost containment were shown by the relatively small rise in the cost of sales to A$760.82m from A$740.17m. Capital spending fell to A$87.9m from A$156m.

Asian first for Irish bank

By David Dodwell in Hong Kong

BANK OF IRELAND yesterday opened in Hong Kong its first representative office in Asia, aimed at aiding trade finance in the region, and attracting investment in Ireland by Asian manufacturers.

The bank, which has an asset base of $9bn and capital of $800m, is also establishing a deposit taking company (DTC) in Hong Kong, to be called BOI Asia, which will conduct wholesale banking business.

Brierley in NZ$60m offer for motor group

By Our Financial Staff

MR RON BRIERLEY, the Australasian entrepreneur, has acted to extend his vehicle distribution interests with a bid for Colonial Motor Company which values the Wellington-based network at NZ$60.06m (US$35.14m).

The domestic initiative launched yesterday by Brierley Investments, his New Zealand master company, follows Mr Brierley's entry into the UK car dealership market this year through Industrial Equity Pacific, his Hong Kong offshoot.

Brierley already holds some 9.2 per cent of Colonial, and is bidding NZ$3.50 a share for the remainder, against a market level of NZ$2.90.

Israel Discount Bank ahead 36%

ISRAEL DISCOUNT Bank, the last of the country's leading commercial banks to announce 1985 figures, continued the upward trend with net profits of US$22.7m, an increase of 36 per cent, writes Lynne Richardson in Tel Aviv.

Return on equity improved from 4.5 per cent to 5.6 per cent. The balance sheet contracted from $13.2bn to $12.6bn, reflecting exchange rate variations.

Heavy demand for Cathay Pacific issue

THE FLOTATION of Cathay Pacific Airways was heavily oversubscribed on the first day of subscriptions yesterday but the final level of demand may not be known until next week, Reuter reports from Hong Kong.

Bell's new BHP bid expected next week

AUSTRALIA'S National Companies and Securities Commission yesterday cleared the way for the dispatch of the Bell Resources initial offer document for a commanding stake in Broken Hill Proprietary (BHP), Reuter reports from Melbourne.

Bell said an offer of A$7.70 a share for ups to 20.7 per cent of BHP, on top of its existing stake of 18.47 per cent, should be in shareholders' hands early next week.

Firmer gilts prompt sterling bonds

BY CLARE PEARSON

YESTERDAY saw two new sterling Eurobonds, encouraged by e slight improvement in the gilts market on the back of sterling's strength on the foreign exchanges and steadier trading in US Treasury bonds.

The first new sterling issue, lead-managed by Morgan Grenfell, was for Cyanamid Holdings. It was guaranteed by parent chemicals and pharmaceuticals company, American Cyanamid. The £30m five-year bond bears a coupon of 9 per cent and was priced at par to yield at issue taking in total fees 61 basis points over reference gilts.

The bond struck traders as reasonably priced, although it was moving slowly yesterday afternoon. Morgan Grenfell quoted a bid price of 97½. The sterling market is now quiet and unenthusiastic bankers say Substantial buying interest in a new bond can only be soarked by a high-quality name, despite the fact that secondary issues are generally trading over par, and thus discouraging investment. There is still UK interest in long-term issues where recent bonds offer substantial yield pick-ups as against alternative, similarly-dated securities in the domestic market.

In contrast to Cyanamid's bond, Morgan Guaranty's £100m nominal value 10-year zero-coupon deal for McDonald's Corporation struck bankers as tight. Priced at 44½ per cent, it gave an implied yield net of fees of 8.68 per cent.

An innovative $270m issue of warrants into mortgage securities was carried out in the dollar market when Salomon Brothers International, on behalf of Phibro-Salomon, launched 270,000 warrants to buy securities of the US Government National Mortgage Association (Ginnie Mae). The hedging security is Ginnie Mae 8 per cent 2007. The warrants, priced at $9.75 each, are exercisable during April 1987 at a strike price of $98 each. The Ginnie Mae bond traded around $95 yesterday.

The warrants represent a hedging instrument chiefly for banks, and are attractive because the decrease in US rates recently has made Ginnie Mae's cheaper than US Treasuries, thus providing a cushion against a fall in the Treasury market. Salomon International said they had met strong demand and traded at $12 bid.

There was one issue into the dollar fixed-rate market where some bonds moved slightly higher. Morgan Guaranty launched a $100m 7⅛ per cent bond for Farm Credit Corporation of Canada, the Canadian state agency, in its first borrowing for 2½ years. The 10-year non-callable bond was priced at 101½ to yield at issue 35 basis points over US Treasuries. The lead-manager said the bond was trading at discounts around the level of the total fees.

The coupon on Sumitomo Realty's $100m equity-warrants bond was reduced to 2⅞ per rent from an indicated 3 per cent. Exercise price on the warrants will be set tomorrow.

The coupon on the SFr 500m tranche of Sumitomo Realty's issue was fixed at ⅞ per cent, the lowest ever in the Swiss franc market. Prices eased by up to ⅛ points in that overloaded sector. The issue for AMR Corporation lost ¼ point in price, while the bond for Southern Gas of California eased to 95 bid.

Despite lacklustre trading in this overloaded sector, two new deals were arranged.

Soditic bought a SFr150m 60-year bond for Olivetti International (Luxembourg) the longest fixed-term Eurobond ever. Pricing will take place in May, but the coupon is indicated at 5½ per cent and the price at par. There are call options at 102 in 1996 and then at this level at five-yearly intervals.

Citicorp Investment Bank (Switzerland) arranged an issue of warrants into shares of Ajinomoto, the Japanese bio-technology company. This is a secondary issue, backed by Citicorp's own holding of the company's equity. There are 400,000 warrants, priced at SFr 385 each, each exercisable into 50 shares at a strike price of Y1,135 per share, representing a 16 per cent premium over the shares' market price. Citicorp said the issue had rapidly sold out.

The D-Mark market was shocked by the announcement of a record DM 18,735bn new issue calendar for May. Prices stabilised in the afternoon, however, when US Treasuries moved higher in New York and as doubts were expressed about whether the time-tabled DM deals would surface.

Commerzbank launched a DM 300m deal for Ireland. The 10-year bond bears a coupon of 5⅞ per rent and was priced at 99½. Bankers viewed the terms as tight, especially as an outstanding bond for Ireland, that has nine years to run, now yields around 6.45 per cent. The new bond traded at around 97 bid.

The Luxembourg franc market saw a new issue for the London branch of Morgan Guaranty. Lead-manager was Banque Generale du Luxembourg. The LFr 300m five-year bond pays 7 per cent coupon and was priced at 100½.

Samurai underwriting to be revitalised

BY YOKO SHIBATA IN TOKYO

THE BIG FOUR Japanese securities houses have agreed changes in the issue structure of Samurai bonds, in an attempt to revitalise the domestic yen-denominated market which has recently been largely eclipsed by the Euroyen sector.

The four underwriting houses —Daiwa, Nikko, Nomura and Yamaichi—are to switch to the so-called "bought deal" system for issues, similar to that used in the Euromarkets. This allows the lead manager to negotiate terms with the issuer and present them in virtually finished form to members of the underwriting syndicate.

Under the previous "indication" method, terms had to be agreed unanimously by the syndicate. This was in order to help smaller underwriters sell the paper, but the formula tended to buoy the issue price and inflate costs.

The changeover is designed to stiffen competition among underwriters and bring down the cost of Samurai bond flotations.

The four dominant underwriting houses have decided to adopt the international method so as to stop non-resident borrowers moving to the Euroyen market, where Japanese banks are able to underwrite issues.

Stringent financial requirements and the lack of diversification in maturities have put the Samurai bond market well behind the market for Euroyen bonds. Non-residents have been able to raise funds through the Euroyen market since December 1984, and in the year to March 1986, 83 Euroyen issues worth Y1,652.3bn ($9.76bn) were made compared with 38 Samurai bonds worth Y1,170bn.

The big four securities houses have grown jittery about the rapid progress in the diversification of debt instruments in the Euromarkets such as floating-rate Euroyen bonds and dual-currency notes. Fixed-note Euroyen bond issues have also surpassed Samurai bonds. Between January and March this year there have been 10 Samurai bond issues (all fixed rate) worth Y305bn compared with 34 Euroyen bonds worth Y573.1bn.

The four have also decided to drop the unwritten rule banning the re-entry into the Samurai market of issuers which have pre-paid bonds before their final maturity. Since last September when Denmark redeemed its Samurai bond ahead of schedule, the move has been followed by Finland, Sweden and Austria.

Because of their high coupons, the market price of these bonds has been higher than the pre-payment premium stipulated in the bond agreement and borrowers have been able to save money even after paying the premium.

They have been able to refinance bonds at cheaper rates (currently 6.5 per cent) by re-entering the market. This practice has upset the big four houses and they had implied that they would boycott the next issue if the issuer pre-paid the old bonds.

However, the underwriters have now realised that it is not wise to exert pressure on the Samurai market at the time when the Euroyen market is expanding rapidly.

The underwriting houses expect that these measures alone will not adequately revitalise the Samurai bond market and are also considering more drastic measures

DM 18bn issue calendar for May

By Our Euromarkets Staff

AN UNPRECENDENTED new issue calendar in Deutsche Mark Eurobonds of DM 18.73bn has been registered for issue during May, the Bundesbank announced yesterday.

This is twice the total DM Eurobond calendar for April, when DM 9.09bn was filed, and contrasts with a total issuing amount during 1985 of just over DM 30bn.

The Bundesbank said that the new issue calendar comprises 63 straight fixed-rate issues for DM 16.68bn, six equity-linked issues for DM 810m, one floating-rate note for DM 500m, and two zero-coupon bonds for DM 750m.

West German bankers described the size of the calendar as "potentially dangerously destabilising" to the market. Even with the reported increase in Japanese buying of DM bonds, they say, current demand could not meet such an avalanche.

However traders do not expect to see all 72 issues brought to market.

There was speculation that some of the filed bonds might be repeat registrations. The Bundesbank said it could not comment on whether this was true, but would not consider it to be its role to prevent such duplication.

Traders remarked that there were four holidays in West Germany during May, which would reduce time available to launch deals.

In the past, many issues listed in the calendar have not appeared because they have depended on swap opportunities which have not materialised. Of last month's time-tabled DM 9.09bn, only slightly over DM 5bn has been issued as the month draws to a close. Since new regulations allowing names of issuers to remain confidential were introduced last May, generally only about 75 per rent of schednled issues have surfaced during a given month.

On the otber hand, bankers helieve that at least part of the calendar comprises non swap-related issues for West German companies which have not previously borrowed in the Enrobond market but are now attracted hy the historically low interest rates available. West German companies in particular are expected to issue equity-related deht.

German CDs from Morgan Guaranty

By Jonathan Carr in Frankfurt

The Frankfurt offshoot of Morgan Gnaranty is likely to be first to offer D-Mark denominated certificates of depost (CDs) on the West German market.

The Bnndesbank decided last December to permit banks licensed in Germany to issua CDs, as a further step in improving the attractiveness of the domestie financial markets.

The green light for CDs, and for ehanges in the central bank's minimum reserve rules, has been given for tomorrow bnt since that day is a holiday, Morgan Frankfurt will start the new business on Friday.

D-Mark CDs wtth a minimum volume of DM 5m will be available with a duration of at least a month. They will be in the form of registered bonds, not bearer bonds, which may partly hinder the ease of transfer but also means they will not be subject to German Börsenumsatzsteuer (stamp dnty).

FDIC backs disclosure rule power for SEC

THE FEDERAL Deposit Insurance Corporation (FDIC) said it supported transferring the regulation of registration, disclosure and reporting requirements for pnblicly-held banks to the Securities and Exchange Commission, Reuter reports from Washington.

"The (Vice President George) Bush task force report recommended that this regulatory function he assigned to the SEC. We believe this transfer of responaihilities would be appropriate," Mr William Seidman, the FDIC cbairman, told a house energy and commerce committee hearing.

The hearing was called to look into the adequacy of financial reporting hy financial institutions.

Mr Seidman said tbe FDIC supported accounting rulea which accurately reflect the condition of commercial banks and would not allow banks to restrueture loans to conceal problems.

Green light for market in UK commercial paper

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE GREEN LIGHT given by the UK authorities yesterday to commercial paper will open up what could become Britain's largest new financial market for many years. In the US, the home of commercial paper, the market has doubled since 1980 to $300bn, and is now a major means of mobilising short-term funds between borrowers and lenders. Similar markets are also being started up on the Continent.

Commercial paper consists of short-term (up to nine months) unsecured promissory notes issued by corporations wanting large amounts of cash. The purchasers are usually financial institutions, banks or other corporations with temporary cash surpluses to invest.

The point about the market is that it directly connects those needing money with those who have it available, bypassing the banking system and the conventional securities exchanges. This makes it a cheap and highly flexible source of funds: regular users on Wall Street come in several times a week, if not daily.

Obstacles removed

Pressure for a UK market has come mainly from large companies who believe they can tap the money markets just as cheaply—if not more cheaply than UK banks. The obstacle was the Banking Act under which the definition of deposit-taking meant that only banks could use these markets continuously. This is now being removed.

But several questions to do with the operation of the market and its likely effect on the monetary system had to be resolved before it could go ahead. These have been addressed mainly by the Bank of England which is responsible for the arrangements.

The key question was how to provide protection for investors given the paper's exemption from the Banking Act. This is to be done by restricting access to the market to large well-known companies —as in the US where it is a matter of market convention rather than regulatory fiat.

The requirement that paper issuer's stock be listed in the UK and that their net assets be at least £50m means that they will already have gone through the UK disclosure hoops and have been closely analysed by the investment community. This limit opens the market to some 300 UK companies, plus several dozen more foreign ones, though regular borrowers will be only a fraction of this number.

One hurdle still to be removed is the Companies Act requirement that borrowers publish prospectuses when issuing securities. Commercial paper is to be exempted from this in the Financial Services Bill due for enactment later this year. Until then, borrowers may have to issue their paper through offshore subsidiaries.

The biggest users will be able to borrow in their own name. But many will back their issues with bank guarantees to ensure that they can roll them over if the market is disrupted. Only banks will initially be allowed to provide these guarantees, but the right may be extended to other institutions like insurance companies later on. These guarantees will be treated as contingent liabilities by the Bank of England, and will carry a 0.5 capital weighting.

Whether or not the UK market will demand that borrowers have credit ratings should emerge over time. The UK authorities are making no such requirement. But it is standard practice in the US for issuers to have ratings from the two major agencies, Standard & Poor's and Moody's; several companies are gearing up in London to provide this sort of service.

Companies will issue their paper through dealers acting either as agents or underwriters. Those acting as underwriters will have to be UK-licensed banks to ensure a degree of market surcevision until the new regulatory framework for Big Bang is established. This will exclnde the large US investment banks from the business, though they will be allowed to seek special permission from the Bank of England.

Commercial paper will be exempt from stamp duty, which will give it an advantage over the domestic securities market, but put it on a par with the still-exempt Euromarkets. The return on the paper can be paid in full, without any withholding tax, and the cost of setting up a commercial paper programme will be a permitted business expense.

Relative cost

All the leading UK merchant banks and many foreign ones too—mainly from the US—have been preparing for months to issue and distribute paper for clients, and their research shows that there are both borrowers and investors ready to make use of the market, though the start-up may be slow.

A key point will be the relative cost of commercial paper to other sources of finance, notably the bill market. Because of the artificial demand created for acceptances by the Bank of England's funding policies, bill rates have been artificially low for some time, and could still undercut commercial paper, some bankers were saying yesterday. It seems unlikely, though, that the Bank would have agreed to start up this new market if it clashed with its monetary operations.

The Bank will, however, be monitoring the commercial paper market closely for its effect on monetary policy, and may re-interpret its reading of the monetary aggregates in the light of what it sees, particularly as commercial paper begins to replace bank lending. The new market could also affect the supply of bills, and thereby help reduce the £15bn "bill mountain" built up by the Bank.

However, the view at the Bank yesterday was that the monetary implications were not fully clear, and it was a matter of wait-and-see.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on April 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	100½	101	+0¼	−1⅞	9.65
Atlan. Richfield 10⅜ 00	250	107⅛	107⅝	+0⅛	−1¾	9.29
Australia Com. 11 95	200	117	117½	+0⅛	−2⅞	8.22
Australia Com. 11⅛ 00	100	118¾	118⅝	+0⅛	−3⅞	8.91
BP Capital 9⅛ 94	100	102¾	103¼	+0¼	−2	8.59
BP Capital 11⅛ 92	150	110	110½	+0⅛	−1⅛	8.76
Campbell Soup 10½ 95	100	112½	113	0	−1⅞	8.45
Canada 9 96	1000	107½	108	+0⅞	−2⅞	7.84
Canada 11⅛ 90	500	112¾	113¼	+0⅛	−1⅛	7.53
Canadian Pac. 10¾ 93	100	109¼	109¾	+0¼	−2⅛	8.88
CEPME 10⅛ 91	100	108¼	108¾	+0⅛	−1⅛	8.12
Citicorp 10 88	200	103⅞	104⅛	+0½	−1⅛	8.01
Citicorp 10⅛ 95	200	105⅛	105⅝	+0⅛	−1⅞	9.67
Credit Lyonnais 9 91	200	104½	104⅞	+0⅛	−1⅛	7.83
Credit National 9¼ 93	150	105⅞	105⅜	+0⅞	−1⅛	8.03
Denmark Kgdm. 11⅛ 89	100	108½	109	+0⅞	−1	7.90
Denmark Kgdm. 11½ 90	100	111⅜	111⅞	+0⅛	−1⅛	8.08
Denmark Kgdm. 11½ 92	100	115	115½	+0⅛	−1¼	8.14
EDC 8⅞ 92	100	103	103½	+0⅛	−1⅛	7.80
EDF 10 95	225	108⅞	108⅜	+0¼	−1⅛	8.53
EEC 8⅞ 91	150	103⅞	104⅛	+0⅛	−1⅞	7.61
EEC 9⅞ 90	350	105½	106	+0⅛	−0⅛	7.96
EIB 10⅛ 94	200	109⅞	110⅜	+0½	−2⅛	8.52
EIB 12 95	200	122⅞	123⅜	+0⅛	−2⅛	8.28
Eli Lilly 10⅛ 92	150	111⅞	112⅛	+0½	−1⅛	7.80
Equit. Lrd. Rlty. 10½ 97	100	108⅛	108⅞	+1⅛	−2⅛	8.75
Export Dev. Cpn. 10 90	100	108	108½	+0⅛	−1¼	7.57
Fed. Dep. Strs. 10⅛ 95	100	110⅞	111⅜	+0⅛	−1⅛	8.34
Ford Motor Crd. 10½ 91	150	108	108½	+0⅛	−1⅛	8.53
Ford Motor Crd. 11⅛ 90	100	108⅞	109⅜	+0⅛	−1⅛	8.47
Gen. El. Cred. 10¼ 00	200	106⅜	106⅞	+0⅛	−1⅛	8.38
GMAC 10¼ 89	200	106⅜	106⅞	+0⅛	−1⅛	7.75
GMAC 10¼ 92	250	107⅞	108⅜	+0⅛	−1⅞	8.55
IADB 9⅞ 95	200	110⅝	110⅞	+0¼	−2⅛	8.22
IADB 10⅛ 95	150	114¼	115¼	+0⅛	−1⅛	8.14
Kellogg Co. 10⅞ 90	100	106⅞	107⅜	+0⅛	−1⅛	8.53
Kellogg Co. 11⅛ 92	100	110¾	111¼	−0⅛	−1⅛	8.70
Nippon Cr. Bk. 10⅜ 95	150	113½	114	+0¼	−1⅛	8.46
Pillsbury Co. 10¾ 93	100	106¾	107¼	+0⅛	−1⅛	8.89
Proct. & G. 'A' 9⅞ 92	150	105¼	105¾	+0½	−1⅛	8.72
Pru Realty S. 12⅞ 95	546	117¼	117¾	+0⅛	−1⅛	9.14
Qantas Airways 10⅛ 95	140	113⅜	113⅞	+0¼	−2⅛	9.19
Queensld. Gvt. 10⅛ 95	100	112⅛	112⅝	−0⅛	−1⅞	8.27
Ralston Purina 11⅛ 95	150	114⅛	114⅝	+0⅞	−3⅛	9.32
Saab Scania 9½ 91	125	104½	105	+0½	−1⅛	8.24
Saskatchewan 10⅜ 92	100	111⅞	112⅜	+0⅛	−1⅞	8.06
Scandinavia Air 10⅛ 95	150	110⅝	111⅛	+0⅛	−2⅛	8.40
State Bk. S. Au. 9⅛ 93	100	104	104½	+0⅛	−2	9.39
Statoil 10 90	170	107¼	107¾	+0⅛	−1⅛	7.84
S. Wales Troy. 11¼ 90	[illegible]	111⅞	112⅜	+0⅛	−1⅛	8.13
Swed. Exp. Cred. 10 92	100	109⅞	110⅜	+0½	−1⅛	7.83
Sweden 8¾ 96	200	105⅝	106⅛	+0⅛	−2⅛	7.92
Sweden 10¼ 92	250	111½	111⅞	0	−1⅛	7.92
Sweden Kgdm. 10⅞ 90	200	110⅝	111⅛	+0⅛	−1⅛	7.66
Sweden Kgdm 11¾ 94	100	115⅞	116⅜	+0⅛	−1⅛	8.96
Tenneco Cpn. 10⅜ 95	150	107¼	107¾	0	−1⅞	9.48
Utd. Tech. Fin. 10⅝ 95	100	111⅛	111⅝	+0¼	−1⅛	8.77
Victorian Rep. 11⅛ 92	150	114¼	114⅛	+0¼	−1⅞	8.47
World Bank 9¼ 2016	300	107⅞	108⅜	+0⅛	−3⅛	8.51
World Bank 9⅛ 2016	300	110½	111	+1⅛	−2⅞	8.72
World Bank 10⅞ 95	300	114⅛	114⅝	+0⅛	−3⅛	7.68

Average price changes...On day +0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	109⅞	110⅜	+0⅛	0	6.41
Austrian Elec 6½ 95	150	101	101½	−0⅛	−1⅛	6.30
Copenhagen 7⅛ 95	150	103½	104⅛	−0⅛	−1⅛	5.78
Dow Chemical 8⅛ 95	300	104⅜	105⅞	0	−0⅛	5.02
EIB 6⅞ 95	300	105⅞	106½	−0⅛	−1⅛	5.00
EIB 7¼ 94	300	104⅞	105½	−0⅛	−1⅛	6.45
Emhart Con. 6⅜ 95	175	102⅛	103⅛	−0⅛	−1⅛	6.34
Ex Im Bk Korea 7⅛ 90	100	101⅞	102⅜	+0⅛	−0⅞	7.04
Finland Republic 7 92	200	103⅞	104½	0	−0⅛	5.10
Gould Int. Fin. 7⅛ 91	100	103⅞	104½	0	−0⅛	6.53
Heron Ind. Fin. 7¼ 95	100	100⅞	101⅜	+0⅛	+0⅛	7.06
Hoesch Intl. Fin. 7 95	100	102⅞	103⅜	−0⅛	−0½	9.55
Ireland 6⅞ 92	150	106	106⅛	−0⅛	−2	6.82
I/S Elsam 6¼ 93	125	99⅞	100⅜	−0⅛	−0⅛	5.72
Japan Fin. Con. 7⅛ 91	100	106⅝	107⅛	−0⅛	−0⅛	5.98
Mitsubishi M. 3⅞ 89 WW	100	107½	108½	+0⅛	−0¼	0.88
Mitsubishi M. 3⅞ 89 XW	100	92¾	93¼	0	−0½	5.38
Quebec Hydro 7⅛ 95	200	106⅛	106⅝	−0⅛	−0⅛	5.23
Renfe 7¼ 95	100	105⅛	105½	−0⅛	−1	5.92
Soc. C. Nuclear 7⅜ 95	150	103⅞	104⅛	−0⅛	−0½	6.65
Soc. C. Nuclear 8 91	100	105⅞	106⅜	+0⅛	0	5.63
S. African Tran. 7⅛ 92	100	96⅞	97⅜	0	0	8.17
World Bank 7 95	600	106⅜	107⅛	−0¼	−1⅛	5.98

Average price changes...On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon. Cap. Cpn. 5⅛ 94	130	†101	101⅛	0	−0½	5.20
Br. Land Comp. 5⅛ 99	75	*†106	106¼	+0½	+0½	5.93
Chrysler 5⅞ 96	160	†102⅝	103	+0¼	+8⅛	5.37
Council of Europe 0 92	120	†105⅞	105⅞	0	+2	4.97
Creditanstalt 5½ 94	100	†101⅞	102	−0⅛	−0⅛	5.22
Deutsche Bk. F. 5⅛ 95	100	†104	104⅛	0	−0⅛	4.78
Gen. Occidentale 4½ 94	80	†119	†119½	−0⅛	+2⅞	2.04
Glendale F. S&L 5⅛ 95	100	†99⅞	100	0	0	5.51
Humana 5⅛ 96	120	†96⅞	95⅞	0	0	5.52
Ind. F. Finland 5⅛ 94	40	†101	101⅛	−0⅛	−0⅛	5.56
N. Zealand Steel 5⅛ 96	70	†100⅛	101	−0⅛	−0⅛	5.63
Oberoe. Kftwk. 5⅛ 95	100	†101⅛	101⅛	−0½	−0⅛	5.17
Olivetti Intl. 5½ 95	100	†102⅛	102⅛	−0½	−0⅛	5.13
Pepsico 5⅛ 95	130	†102⅛	103½	−0⅛	−0⅛	4.82
Phibro-Salomon 5⅛ 97	110	†102	102⅛	+0⅛	0	4.88
Ralston Purina 5⅛ 94	125	*†102⅛	103	+0⅛	+0⅛	4.95
Settsu Euro. 0 2001	100	†49½	49⅛	−0½	0	4.83
Tokyo Elec. Pr. 5½ 93	120	†102⅞	103	+0⅛	−0⅛	4.98
Tokyo Metropolis 5⅛ 94	80	†101⅛	101⅛	−0⅞	−0⅞	5.03
World Bank 5⅛ 94	150	†103	103½	−0⅛	−1⅛	5.27

Average price changes...On day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Exp. O. Cr. 5⅞ 91	20	98⅛	99⅛	0	+0⅛	6.15
Denmark 6⅛ 96	10	102¾	102⅞	+0¼	+0⅛	6.01
Dow Chemical 6⅛ 01	25	97⅞	98⅛	−0⅛	−0⅛	6.47
EIB 6⅛ 96	25	102⅞	103⅛	+0½	+0⅞	5.74
Proctar & Gamble 8 91	25	100⅞	101⅛	+0⅛	+0⅛	5.73

Average price changes...On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Ex. O. Cr. 0 91 A$	100	54⅞	55⅛	−0¼	−1¼	12.89
Fiat Finance 14½ 89 A$	50	104	105	−0⅛	−0⅛	12.22
GMAC 12⅞ 89 A$	40	100	100⅛	−0½	−0½	12.73
LB Schlswg. 14⅛ 91 A$	30	104⅞	105⅞	−0⅛	+0⅛	12.64
Amex 10⅞ 90 C$	50	105	105½	0	−0⅛	9.76
Canad. Pac. 10⅞ 90 C$	75	107	107½	+0¼	−1⅛	8.32
CIBC 10⅞ 90 C$	75	†103⅛	104⅛	0	−0⅛	9.60
Genstar Fin. 11⅛ 95 C$	75	†105⅞	106⅛	+0¼	+0½	10.68
Montreal 11½ 95 C$	75	108	108½	+0⅛	−1⅛	10.06
Ryl. Trustco 10⅛ 90 C$	75	103⅛	104⅛	+0⅛	−1⅛	9.24
Sears Acc. 10⅛ 93 C$	75	†104⅛	104⅞	0	−0⅞	9.65
Coca-Cola F. 17 90 NS	75	104⅞	105⅞	+0⅛	+2⅛	15.13
Denmark 17½ 89 NS	50	†100⅞	101⅞	−0⅛	+1⅛	16.78
Unilver Cp. 17⅛ 89 NS	50	100	101	+0⅛	+0⅛	17.16
Copnhagn. C. 9 96 Ecu	40	112⅛	112⅞	0	−0½	7.13
EIB 8⅞ 93 Ecu	180	109	109¾	+0½	0	6.88
Walt Disney 8⅞ 94 Ecu	63	108⅞	109¼	+0½	+0⅛	7.20
Honda WW 3⅞ 90 Fl	100	110⅛	110⅞	0	+1⅛	1.10
Honda XW 3⅞ 90 Fl	100	92⅛	92⅞	0	+0⅛	6.06
Thyssen 7⅛ 90 Fl	50	103⅛	103⅞	0	0	8.29
Wereldhave 7½ 90 Fl	75	103⅞	104⅛	0	0	6.35
Wessanen 6⅞ 90 Fl	50	101⅛	101⅞	0	+0¼	6.30
Tathse. Forte 8⅞ 91 FFr	400	100½	101	−0⅛	−0⅛	8.45
Amev 11 93 £	50	106¼	107	−0⅛	−0⅞	9.59
Australia Com. 11 92 £	40	108⅛	108⅞	0	−0⅛	9.09
GMAC UK F. 10⅛ 90 £	30	104⅛	104⅞	+0⅛	−0⅛	9.15
Imp. Ch. Ind. 11⅛ 95 £	100	109⅞	110⅜	+0⅛	0	9.59
Imp. Ch. Ind. 10⅛ 92 £	75	105⅞	105⅞	+0⅛	−0⅛	8.66
Inv. in Ind. I. 10 93 £	60	102⅞	103⅛	0	−1⅛	9.15
Leeds Bld. S. 10⅛ 91 £	50	103⅛	103⅞	+0⅛	−0⅛	8.55
McDonalds 10⅛ 90 £	40	105⅛	106⅛	+0⅛	−0½	9.06
MEPC 10⅛ 2003 £	75	†98⅛	95⅛	−0½	−0⅞	10.39
Not'nwide BS 10⅛ 93 £	75	102⅞	103½	+0⅛	−0⅛	9.47
NSW Treasy. 10⅛ 92 £	50	104⅞	105⅛	+0⅛	−0⅛	9.58
Royal Ins. 10¼ 92 £	60	105⅞	106¼	0	−⅛	9.41
J. Sainsbury 10⅞ 93 £	50	105½	106	+0⅛	−1	9.65
Tathse. Forte 11⅛ 90 £	50	104⅛	104⅛	+0⅛	−0½	9.70
World Bank 11⅛ 95 £	100	112⅞	113⅛	0	−0⅞	9.08
COE 8⅞ 95 LFr	600	†105⅞	106⅛	+1	+1⅛	7.97
N. Lux. Al. 10½ 92 LFr	600	103⅛	104⅛	0	+0⅛	9.66

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Anglia Bldg. S. 5 98 £	0⅛	99.83	99.88	14/7	10.44
Barclays Bank Perp. 1	§0⅛	100.20	100.30	2/7	8⅛
Barclays Bank Perp. 2	§0⅛	100.18	100.26	14/8	8⅛
Belgium, Kngdm. of 91	0	100.44	100.54	19/8	8.06
BNP 5¼ 89	0.05	101.67	101.77	10/7	8.05
Britannia S 93 £	0⅛	99.88	99.91	8/7	10⅞
CCF 5¼ 87	0	99.27	99.37	14/5	6.94
Citicorp 5 2005	0⅛	99.15	99.28	28/4	7.73
Credit Lyonnais 0 2000	0⅛	100.43	100.53	10/7	8.06
EEC 3 92 DM	0	99.98	100.05	20/8	4.44
EEC 0 90	0⅛	100.17	100.24	8/7	8.06
EEC 5¼ 93 Ecu	0.0312	99.81	99.91	30/4	9.91
Ireland 5¼ 97	0⅛	100.35	100.45	28/8	8½
Lloyds Bank Perp.	0⅛	100.27	100.37	8/8	8½
Midland Bk. Perp. 5	0⅛	100.18	100.28	18/8	8⅛
Milk Mkt. Board S 93 £	0⅛	99.89	99.96	17/8	12.31
NatWest Perp. A	§0⅛	100.22	100.32	8/7	8.31
NatWest Perp. B	§0⅛	100.34	100.44	9/8	8⅛
New Zealand 5 97 £	0.07	99.68	99.78	14/5	12⅞
New Zealand S 2001	0	100.29	100.39	4/8	8⅛
Prudential Cpn. 4 95 £	0.1	99.70	99.78	5/8	12.35
R. Bk. Scotland 5 Perp.	0⅛	100.10	100.20	11/6	8.44
United Kingdom S 92	0	100.09	100.16	7/7	8.06
Woodside Fin. 5⅛ 97	0	99.60	99.70	28/7	8.19
Woolwich S 95 £	0⅛	99.82	99.87	19/5	11.69

Average price changes... On day +0.01 on wk. −0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Ajinomoto 8 99	4/84	1053	217	219	+0⅛	7.03
Comcast 7 2000	12/85	23.87	†123⅛	124⅛	0	15.20
Fanuc 3⅛ 99	1/84	7032	249⅛	251⅛	+0⅛	64.38
Fuji Heavy Inds. 3 2000	8/85	676	†114½	115⅛	−0½	−0.94
Fujitsu 3 89	5/84	1320	131⅛	132⅛	−1	18.46
Kumagai Gumi 3½ 2000	3/85	600	†229	231	0	8.24
Marui 3½ 99	7/84	1162	†287	289	+2¼	0.94
Minolta Cm. 2⅞ 94 DM	2/86	1105	104½	105⅞	−0⅛	32.96
Mitsubishi Bank 2⅛ 00	2/85	1768	121	122	0	0.62
Mitsubishi Elec. 2⅞ 00	3/85	422	127½	128⅛	+0⅛	−0.50
Mitsui Bank 2⅞ 01	4/86	107.3	†102⅛	101⅛	−3⅛	−90.76
Murata 3½ 2000	7/84	2396	165½	166⅞	+0⅛	12.24
Nippon Elec. 2⅞ 2000	1/85	1295	182⅞	183⅛	+0⅛	39.29
Nippon Oil Co. 3 2000	5/85	923	189⅛	190¼	0	−1.30
OKI Elec. Ind. 3½ 99	10/84	905	125⅞	126⅛	+0⅛	−0.91
Sanwa Bank 2⅛ 2000	10/85	1486	124⅛	125⅛	+0⅛	0.75
Sekisui House 3 99	6/84	612	261	263	−0⅛	2.11
Sumitomo Bk. 2⅛ 2000	8/85	2142	124⅛	125½	0	1.12
Sumitomo Cpn. 2⅞ 99	5/84	593	188½	190	+0⅛	11.33
Taiyo Yuden 3¼ 2000	3/85	1078	†146	151	0	−1.08
Tokyo S'ye El. 3½ 99	12/84	772	115⅛	116⅞	−1⅛	0.85
Toshiba Cmcs. 3 2000	4/85	1734	134⅛	135⅛	+0½	−1.74
Nippon Oil 2⅛ 92 SFr	3/84	1052	†132	133	+0⅛	2.64
Nip. Shinpan 2 92 SFr	3/84	801	†168½	169⅛	+0⅞	13.14
Asics 0 92 DM	12/83	520	131⅞	132⅛	+0¼	0.69
Renown 3⅛ 90 DM	3/85	675	136½	137⅛	−0⅛	−2.83

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Tarmac's £135m beats forecasts

A FURTHER improvement of £20m over the second six months enabled Tarmac to lift its 1985 profits from £109.6m to a record £135.2m pre-tax, a rise of 23 per cent.

City analysts were expecting a slacker second half due to poor weather and had set their sights on £113m for the full year. The company's shares closed 8p higher yesterday at 486p after rising to 488p at one stage.

Each of the six divisions improved its operating profits, the increases deriving both from organic growth and from recent acquisitions.

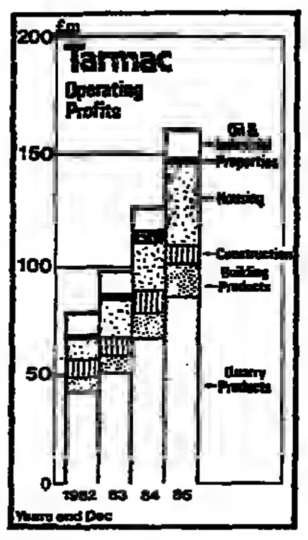
The bulk of profits came from quarrying (up from £67m to £86.2m at the operating level) but housing showed strong growth with a 44 per cent profits surge to £34.7m.

The division sold 9,062 new homes during the year, compared with 1984's 7,128. The management here is looking to the current year with confidence and is expecting an increase in sales of new homes to over 10,000.

Overall, the group has made a quiet start to 1986 due to exceptionally cold and wet weather. Reservations in the housing division are comfortably ahead of this time last year and order books in the quarry products and construction sectors are satisfactory.

The US operations have made a good start and for the group as a whole the directors expect 1986 to be a year of further progress.

Sir Eric Pountain, the chairman of Tarmac



Earnings for the past year improved from 25.8p to 28.2p and a final dividend of 7.2p raises the total from an adjusted 8p to 9.4p net per 50p share.

Turnover pushed ahead from £1.32bn to £1.57bn and operating profits from £123.8m to £156.7m. Interest charges, however, rose by £7.3m to £21.5m.

The directors describe quarrying products performance as excellent, with operating profits ahead by 29 per cent despite very wet weather in the UK during the opening half year.

Overseas, the concrete products and quarrying businesses acqured at the end of 1984 were successfully integrated and contributed significantly to divisional profits. In South Africa the business was affected by adverse economic and political conditions.

The building products division increased profits by 23 per cent to £15.4m and construction again chalked up an improvement despite tough market conditions and bad weather in the UK. During the year new contracts were secured in Algeria, Egypt and Iceland as well as the UK — the division is also a leading member of the consortium which was selected for the Channel Tunnel project.

In the property division several major retail, office and high technology developments were brought to completion during the year.

Despite the sale in August of the oil and gas business, Plascom, the oil and industrial sector, made higher operating profits. Since the year-end the division has disposed of its two iron foundries and the small tube manufacturing business, and has acquired the 50 per cent shareholding in the Philmac bitumen refinery previously held by Phillips Petroleum — Philmac is now a wholly-owned subsidiary.

From January 1 the building products and oil and industrial divisions have been merged to form a new building and industrial products sector.

The end of 1985 saw a strengthening of the group's balance sheet. An increase in capital and reserves (from £333.6m to £426.7m) included a £41.4m uplift from a professional revaluation of the group's mineral reserves and properties.

Net borrowings at December 31 1985 were £126.1m, compared with £131.6m a year earlier.

In February this year the group made five acquisitions in the US, and in March made an agreed offer for Thermalite Holdings.

See Lex

Bardsey cuts losses

Despite exceptional debits this time of £449,000, Bardsey, industrial and financial holding company, cut its pre-tax losses from £744,000 to £726,000 in 1985.

The exceptional debit and extraordinary costs of £267,000 (£288,000) result from factory closures, disposal of loss-making subsidiaries, and reorganisation of subsidiaries. Bank borrowings and short-term loans were reduced from £6.4m to £3.6m through disposals of non-core businesses and properties.

Turnover was down from £35.2m to £32.6m, but operating losses were substantially reduced to £277,000 compared with £744,000. After a tax credit of £12,000 (£298,000 charge) and minorities of £9,000 (£7,000), the loss transferred to reserves was £990,000 against £1.51m.

Rotaprint to get cash injection

BY CHARLES BATCHELOR

Rotaprint, a loss-making manufacturer of specialist printing machines, is to get a £2m injection of new capital as part of a far-reaching reorganisation of its finances.

The company yesterday announced that its pre-tax losses increased to an estimated £1.17m in the year ended March, 1986, from £652,000, on sales of £15.54m, the year before.

Rotaprint is carrying out a further slimming down of its manufacturing operation and revising its sales effort to concentrate on factored products and supplies, such as inks, chemicals and plates.

The financial package has been put together by Mr John Crates and Mr Charles Howe, both former executives of Crystalate, the electronics group.

Mr Crates is to become executive chairman and Mr Howe executive deputy chairman of Rotaprint. Mr David Angwin, at present chairman and chief executive and the man who in 1980 was brought in by Midland Bank to restore Rotaprint's fortunes, will step down as a director but will remain a consultant.

The latest financial reorganisation, which involves a £979,000 rights issue and a £1.02m share placing, is the second time Rotaprint has raised new funds in the past four years. In 1982 it raised £1.5m by means of a rights issue.

Rotaprint is to issue 195.7m new shares on the basis of nine new shares for every two ordinary shares at ½p per share. Robert Fleming, Rotaprint's financial advisers, will place a further 204.3m shares at ½p each. Mr Crates and Mr Howe will each buy 10m shares at a cost of £50,000 each while four members of the existing management will take up 8m shares between them.

The management will be given options over 4½m ½p shares if pre-tax profits reach £1m in any year starting 1986/87.

The company will reduce the value of its 5p shares to ½p, representing a total reduction of £1.96m in its share capital.

About £1.6m of this, as well as most of the £759,000 in an existing capital reserve, will be transferred to the profit and loss account to eliminate the adverse balance.

Rotaprint's shares fell 1p yesterday to 5p.

Tate set to agree deal with Berisford

By Andrew Gowers and Lionel Barber

Tate & Lyle, the UK-based sugar refiner, is expected today to announce an agreement in principle with S. & W. Berisford, the commodity trading and processing group, which would allow Tate to launch a cash and shares bid.

Bankers and lawyers were last night putting the final touches to a draft agreement. It would allow Tate to acquire British Sugar, the UK beet monopoly, from Berisford for about £450m, and permit Berisford management, led by Mr Ephraim Margulies, chairman, to mount a buy-out for the rest of the company for about £200m.

The Tate offer for Berisford is likely to be half in cash and half in the form of a five-for-one share offer, according to executives close to the negotiations. It would value the whole group at about £470m.

A rival all-share bid for Berisford by Hillsdown Holdings, the acquisitive UK food and furniture group, was yesterday worth £504m.

If the Tate board gives the go-ahead this morning, the company's announcement—at the same time as its interim results—will take the form of a statement of intent and is likely ot contain two conditions:

● Tate needs a water-tight commitment from Mr Margulies on the management buy-out so that it is not saddled with Berisford debts. The group's total borrowings and liabilities are estimated to total at least £1.3bn, while borrowings included in the balance sheet last September amounted to £674m.

● Tate is also asking for clearance for the deal from the Office of Fair Trading. It is far from clear that this will be forthcoming, given that together, Tate and British Sugar control about 94 per cent of the UK sugar market.

Action against Hobson dropped

In the High Court yesterday Mr George Nicholson discontinued the action he began against Hobson and Hobson Process and withdrew all claims made by him in the originating summons in the action.

Mr Nicholson further undertook to the court not to prosecute any further claim under section 40 of the Patent Act, 1977 in respect of the subject matter of the action and had to pay the costs of Hobson and Hobson Process.

Profit leap in Americas lifts Blue Circle to £117m

HIGHER PROFITS from the Americas helped Blue Circle to offset downturns elsewhere in 1985, and taxable profits came out at £116.9m—up £3.5m on last year, and in the middle of a wide range of City estimates.

The shares rose 43p on the day to close at 716p.

The largest profit rise came from Mexico, which improved more than five-fold to £20.7m. The US moved ahead from £18.3m to £22.8m, and South America from £8.4m to £11.4m.

In addition to yesterday's results announcement, the company, one of the UK's leading cement and building materials groups, also reserved the right to raise money via a much-rumoured rights issue, but denied it had any immediate plans to do so.

"If we are going to expand further, it must be one of our options to increase our capital base," said Mr Hugh Bull, the finance director.

The most likely stimulus for a cash call would be a further move into the US, where in the past three years Blue Circle has invested some $370m.

A change in the treatment of foreign exchange benefited the company to the tune of £17.5m in the period to December 31. It used averaga rather than end of year rates.

The final dividend is to be raised by 1p to 15p for a total of 20p (21p). Earnings per share improved from 62.1p to 67.7p.

Total group turnover moved ahead from £870.3m to £947.2m. In the UK, taxable profits fell from £25.1m to £20.5m.

Sir John Milne, the chairman, says that home trade cement deliveries were unchanged at 7.8m tonnes. Imports remained at about 2 per cent of the UK market.

Sir John Milne, chairman of Blue Circle

Substantial increased costs continued to be incurred despite the increase in cement prices, particularly in distribution as a result of the construction work on the new plants at Cauldon and Dunbar. The benefit of reduced operating costs at these plants will be felt in 1986, says the chairman.

Operating profit at Armitage Shanks was £10.3m (£13.0m). Of this, £9.5m (£9.6m) was earned in the US. Overseas operations, apart from those in the US, suffered from severe competition throughout the year.

In the US, Atlantic Cement, acquired last May, made $19.8m.

In South Africa profits suffered, particularly in the second half of the year, because of the economic downturn and the weakness of the rand.

Group companies in Australia, New Zealand and Nigeria performed well, although profits in sterling terms suffered from exchange movements.

The tax charge fell from £30.2m to £26.3m, leaving net profits at £90.6m against £83m. The higher dividend will take £27m (£23.3m), leaving the company with a retained profit of £52.5m against £43.6m.

See Lex

Chemicals and plantations behind Yule Catto decline

FALLING PROFITS in its two largest divisions—industrial chemicals and plantations—have left Yule Catto with a sharply reduced outcome for the 1985 year. The result was £10.18m against a comparable £12.01m.

Analysts had expected the downturn after disappointing interim figures, and the company's shares rose 25p yesterday to close at 188p.

Lord Catto, tha chairman, says that the current year has started well, and profits over the first quarter are ahead of the comparative period despite a further drop in the price of crude palm oil.

He expects continued progress in the group's industrial operations, and "providing there is no undue political or economic reversal in the major markets, the overall growth in earnings should be maintained."

The company benefited from an extraordinary credit of £3.92m—profits on the sale of investments—(£12,000), lifting attributable profits from £4.68m to £8.67m. The final dividend is raised from 3.75p to 4.5p for a total 1p higher at 7p.

Earnings per 10p share came to 23.1p (22.7p) on a net basis and 23.8p (24.1p) on a nil basis.

● comment

For Yule Catto 1985 represented a fundamental change in direction, away from reliance on its overseas plantations and towards a broader base in chemicals and building in this country. The City approved of the change and the shares rose by 25p to 188p yesterday. Perhaps perversely its UK activities were dogged by a poor performance from the chemicals division, from Doverstrand in particular. With Doverstrand returned to profit and building poised for further growth, the UK should contribute an increased proportion of profit, 70 per cent or so, this year. Plantations remain a persistent problem, with the two staple commodities, palm oil and cocoa, still suffering from plunging prices. Yule Catto is committed to continuing with its plantation interests, although future expansion will focus on other areas in this country. The City expects a respectable performance, with profits pre-tax rising to £11.5m in 1986, leaving Yule Catto's p/e of 5, still tinged by its overseas exposure. Yesterday's price rise notwithstanding, the market seems prepared to wait to see how Yule Catto will diversify before indulging in a re-rating.

Burgess profits down 16% in first half

Burgess Products (Holdings) saw pre-tax profits fall by 16 per cent from £601,000 to £504,000 in the 27 weeks to February 1, 1986. The result was on turnover little changed at £10.43m against £10.39m.

Mr Bob Morton, chairman, says the fall was as expected, the results being affected by increased costs of future automation at Gateshead, additional marketing costs in the US and higher capacity costs in Germany.

However, the investments made in the first half are producing increased sales and profits in the second half, before the impact of profits from acquisitions.

Earnings per share were 5.2p (6.8p) and the interim payment is unchanged at 0.5p. The directors are forecasting an increase the final to give a total payment of 2.5p, compared with last year's 2p.

Precision electrical and electronic components reported trading profits down at £497,000 (£738,000) whereas acoustical and other engineering products rose from £1,000 to £47,000. There were exceptional credits of £121,000 of which £120,000 was part of the consideration for Burgess Products Company.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Albany Inv.	2.5	July 1	2.2	3.5	3
Blue Circle	15†	July 1	14	21†	20
Burgess Products ...int.	0.5	May 30	0.5	—	2
Edinburgh Oil	nil‡	—	0.15	nil	0.15
Cecil Gee	2.8‡	—	2.8	2.8	2.8
Barham Group	1†	—	0.8¶	2	1.2¶
Norscot	1.2‡	July 1	—	2.4	—
Redrearn Glass ...int.	1.5	Aug. 7	nil	—	2
Ropner	4	June 27	4	6.5	6.25
Tarmac	7.2	July 3	6*	9.4	8*
Tootal Group	2.5	—	1.87	4	3.1
Yule Catto	4.5	—	3.75	7	6
Viking Resources	1.45	—	0.65	2	1.15

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for sub-division.

BASE LENDING RATES

ABN Bank	10½%	Robert Fraser & Ptrs	11½%
Allied Dunbar & Co	10½%	Grindlays Bank	‡10½%
Allied Irish Bank	10½%	■ Guinness Mahon	10½%
American Express Bk.	10½%	■ Hambros Bank	10½%
Amro Bank	10½%	Heritable & Gen Trust	10½%
Henry Ansbacher	10½%	■ Hill Samuel	§10½%
Associates Cap Corp	11 %	C. Hoare & Co	10½%
Banco de Bilbao	10½%	Hongkong & Shanghai	10½%
Bank Hapoalim	10½%	Johnson Matthey	10½%
Bank Leumi (UK)	10½%	Knowsley & Co Ltd	11 %
Bank Credit & Comm	10½%	Lloyds Bank	10½%
Bank of Cyprus	10½%	Edward Manson & Co	11½%
Bank of Ireland	10½%	Meghraj & Sons Ltd	10½%
Bank of India	10½%	Midland Bank	10½%
Bank of Scotland	10½%	■ Morgan Grenfell	10½%
Banque Belge Ltd	10½%	Mount Credit Corp Ltd	10½%
Barclays Bank	10½%	National Bk of Kuwait	10½%
Beneficial Trust Ltd	12 %	National Girobank	10½%
Brit Bank of Mid East	10½%	National Westminster	10½%
■ Brown Shipley	10½%	Northern Bank Ltd	10½%
CL Bank Nederland	10½%	Norwich Gen Trust	10½%
Canada Permanent	10½%	PK Finans Intnl (UK)	12 %
Cayzer Ltd	10½%	Provincial Trust Ltd	12½%
Cedar Holdings	12 %	R. Raphael & Sons	10½%
■ Charterhouse Japhet	10½%	Roxburgh Guaranty	11 %
Citibank NA	10½%	Royal Bank of Scotland	10½%
Citibank Savings	¶10.79%	Royal Trust Co Canada	10½%
City Merchants Bank	10½%	Standard Chartered	10½%
Clydesdale Bank	10½%	Trustee Savings Bank	10½%
C. E. Coates & Co Ltd	12 %	United Bank of Kuwait	10½%
Comm Bk N East	10½%	United Mizrahi Bank	10½%
Consolidated Credits	11½%	Westpac Banking Corp	10½%
Continental Trust Ltd	10½%	Whiteaway Laidlaw	11 %
Co-operative Bank	*10½%	Yorkshire Bank	10½%
The Cyprus Popular Bk	10½%		
Duncan Lawrie	10½%		
E. T. Trust	11½%		
Exeter Trust Ltd	11 %		
Financial & Gen Sec	10½%		
First Nat Fin Corp	12½%		
First Nat Sec Ltd	12½%		
■ Robert Fleming & Co	10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.38%. 1-month 6.69%. Top Tier—£25,000+ at 3 months notice 9.72%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 6¼% gross.
¶ Mortgage base rate.
§ Demand dep. 6.35%. Mortgage 12.25%.

UK COMPANY NEWS

Liberty Life offshoot in £138m expansion rights

BY LIONEL BARBER

Transatlantic Insurance Holdings, the unquoted UK offshoot of Liberty Life Association, the South African insurance group, is raising £137.5m via a rights issue in London.

The aim of the rights is to widen the shareholding of Transatlantic. This would reduce the 75 per cent holding of Liberty Life and prepare Transatlantic for acquisition in the area of financial services, Mr Donald Gordon, Transatlantic's chairman said yesterday.

Last July, Liberty, operating through Transatlantic, won a £178m contested takeover bid for Capital and Counties, the UK property group. Liberty retained Capital's stock market quotation and Mr Gordon confirmed yesterday that he would like to seek an eventual listing for Transatlantic.

Transatlantic's rights amounts to 50m preferred ordinary shares on the basis of one-for-two for each ordinary, priced at 275p and carrying a 12p net dividend. This compares with a prospective dividend on the ordinary shares of 6p for this year.

The decision not to offer the preferred ordinary shares at a discount is balanced by the more attractive dividend for this class of share. Mr Gordon said that be expected the true ordinary shares to catch up in dividend in about eight years.

Transatlantic's portfolio also includes substantial minority holdings in Sun Life Assurance Society, the life company, and Continental and Industrial Trust, the UK investment trust. Mr Gordon said thet be was interested in expanding into mortgage financing and investment trusts too, modelling Transatlantic on Liberty Life's success in South Africa as a broad-based financial services group.

Depending on institutional response to the rights, Liberty Life's stake in Transatlantic, held through a company called Condnit, would drop to around 60 per cent.

Ropner profits down by £1.6m

A DOWNTURN in the second half of 1985 has left Ropner's profits £1.57m short of the record £7.97m achieved in the previous year.

However, Mr Jeremy Ropner, the chairman, says that the company has done well to reach £6.4m although it has been disappointing to see the good start in the first half—profits rose from £3.21m to £3.57m—not being maintained.

Ropner experienced setbacks in two areas, garden products which contributed £1m less at £1.74m and in property development which saw profits tumble from £1.62m to £196,000.

Advances were made, however, in insurance broking and shipping which contributed £647,000 (£402,000) and £2.02m (£1.57m) respectively. Engineering operations returned a static £3.44m.

Interest costs were down slightly at £2.18m, against £2.22m, while investment income grew by £525,000 to £1.38m.

Earnings per share were 14.9p (17.7p) after tax of £2.82m (£3.43m). An unchanged 4p final dividend is proposed, making a total 6.5p (6.25p).

● comment

The overall out-turn was a disappointing one for Ropner but the market was braced for the news and the shares barely responded. Garden products were an inevitable casualty of last summer's weather, but the biggest blow came from property development where there were delays in finding buyers for completed developments. Both these divisions should perform significantly better this year but downturns seem likely elsewhere: engineering could see a hiatus between income from the Ptarmigan project and the development of new products, while shipping, at present riding the crest of a wave of long-term charters, will see the first of these expire in 1986. Take in a return to normal levels of investment income and the group will be hard put to beat £7.3m, putting the non-voting "A" shares, unchanged at 130p, on a prospective p/e ratio of 6 after a 35 per cent tax charge—a level reflecting the general lack of interest.

Blue Arrow in £1.5m purchase

Blue Arrow has purchased Reliance Cleaning Contractors (London) and its nine subsidiaries for £1.54m. The deal has been financed by the issue of 417,288 new ordinary 25p shares at 327.5p each and £175,000 in cash.

Setback for Anglo United's Burnett bid

By Martin Dickson

Conditional proposals for a £40m takeover bid by Anglo United Development Corporation for Burnett and Hallamshire, the troubled coal-mining group, appeared to have been stymied yesterday when Burnett rejected a demand by Anglo for a close look at its books.

Burnett said its rejection had the support of its major creditor — the banks which last year put together a rescue package for the company and now own some 75 per cent of its shares.

Anglo United, which is a small opencast coal mining company, made its proposal conditional on Burnett providing it by May 9 with detailed information on the company's affairs — particularly areas that contributed to last year's crisis — and on Anglo being satisfied with the health of the business.

But Burnett said yesterday that the information contained in its report and accounts for the year to March 1985, and last December's letter to shareholders giving details of the rescue package, provided a proper public disclosure of its affairs.

"It would not be in shareholders' interests to provide commercially sensitive information on Burnett's business to a competitor," it added.

Anglo's proposals would have involved the banks receiving less for a class of restricted ordinary shares than they paid for them, though the company was also offering immediate repayment of £20m of loans.

Robert Fleming, Anglo's merchant bank, said last night that it would be approaching the banks to make sure of their attitude and would like further discussions with the Burnett board.

Acquisitions help Barham profits to jump £0.8m

Barham Group, the fast growing media and communications services concern, hoisted pre-tax profits from £582,000 to £1.4m for the year ended January 31, 1986. Turnover more than doubled to £11m, against £4.95m.

The group's results include for the first time a full year's profits from the acquisitions made in 1984, and a contribution of £82,379 from Fleet Street Publications (investment tip sheets) and Cocks Williamson Associates (market research) from the date of their acquisition in January, 1986.

Stripping out the impact of new acquisitions, the underlying profits growth over the year was some 30 per cent.

Mr Norman Fetterman, the chairman, says the results reflect the actions taken during the past three years. Trading so far this year is in line with expectations and tha board is confident of a further improvement in growth and profitability.

Earnings per 2.5p share advaneed from 4.72p to 8.2p. The final dividend is 1p net, on capital increased by the December placing and rights, making a total of 2p — a 67 per cent rise over the previous year after adjusting for the share sub-division.

The company is still looking for bid expansion moves within its existing areas, which could mean further investment in market research and the advertising businesses.

● comment

Crunching through the figures for a company growing by acquisition as fast as Barham becomes a slightly academic exercise except perhaps for one core fact — organic growth was running at 30 per cent last year. If that rate can be achieved this year the group looks well on its way towards £3.8m with the aid of the latest buys Fleet Street Publications and Cocks Williamsons — only in for two weeks in these numbers — should chip in £1½m this year while Marcus Bohn, acquired last month, could provide a further £½m. But the acquisitions will not stop there. With £2½m in the bank the company is already hoping to lock up a couple of deals by next month; one a market research company and the other a typesetter together making around £800,000 a year pre-tax. Yet these are almost small fry to the "big deal" the executives are looking to sink their teeth into. They talked to Brook Street, before Blue Arrow agreed a deal, and have chased after Brunning to no avail—but they will land a large deal eventually. At 166p the prospective rating of under 17 is not aggressively priced.

BOARD MEETINGS

TODAY

Interims—Five Oaks Investments, Jessups, Keystone Investments, TR Australia Investment Trust, Tate and Lyle.

Finals—Barr and Wallace Arnold Trust, Bryson Oil and Gas, Cooper Industries, Costain, FR, Farnell Electronics, Foseco Minsep, Hunting Associated Industries, Jersey General Investment Trust, London United Investments, Shiloh, H. C. Slingsby.

FUTURE DATES

Interims—

BOC	May 12
Barlow Rand	May 28
Eronite	May 21
Dake Simpson	May 1
Rand Mines	May 1
Windsor Securities	May 9

Finals—

Atkins Brothers (Hosiery)	June 10
Extel	May 8
Lee Cooper	May 6
Minet	May 1
UEI	May 8

COMPANY NEWS IN BRIEF

UNITED NEWSPAPERS' chairman, Mr David Stevens, purchased 750,000 ordinary shares in the company at 336p on April 23. The annual report shows that the chairman's remuneration was substantially increased from £56,467 to £134,861 per annum. The highest paid director also received a big increase from £82,135 to £148,045. The report also shows that payments due under Express Newspapers' manpower reduction plan amount to approximotely £58.2m.

SUTER has increased its holding in Newman Industries to 9.125m ordinary shares (7.23 per cent).

INFRARED ASSOCIATES, the New Jersey company which has had 40 per cent of its shares quoted on the USM since last September, increased its sales by 27 per cent to $2.67m (£1.82m) in the year to February 28 1986, and profits of $435,000 (£197,000) after tax were in excess of those projected in its placing document. A first and final dividend of 2.15 cents is proposed.

YEARLINGS: the interest rate for this week's issue of local authority honds is 9¼ per cent, down $\frac{1}{16}$ of a percentage point from last week, ond compares with 12$\frac{1}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on May 6 1987. A full list of issues will be published in tomorrow's edition.

FALCON INDUSTRIES' pre-tax profits plunged from £1.03m to £222,000 in 1985 and there is no final dividend—an interim of 0.5p compores with previous year's 2p total. Turnover was £38.23m (£33.34m) and earnings per 25p share 0.8p (4.6p). Two businesses acquired in 1984, Kestrel and Wyseplan, together with acquisitions made by the Burgon & Ball subsidiary, produced operating losses.

SYSTEMS RELIABILITY, which makes computerised telephone systems, has increased taxable profits from £2.76m to £3.2m in 1985 on turnover ahead from £10.11m to £13.01m. The final dividend is raised from 2.88p to 3.5p for a total of 5p (4.2p). Further improvement is expected in 1986 from the European subsidiaries, but the performance of the South African offshoot is dependent on the current level of the rand heing maintained.

TURNER & NEWALL, the UK engineering and mining group, has agreed to merge its fibre cement building products business in Britain with Compagnie Financiere Eternit SA, the Belgian affiliate of the Swiss group, under the name Eternit TAC. Eternit will initially own 51 per cent of the equity and will buy out Turner's 49 per cent stake in five years' time. Turner is to receive an initial £7m.

ALBANY Investment Trust had a net asset value of 132.75p per 20p share at February 28 1986, against 112.92p a year earlier. The increased final dividend of 2.5p (2.2p) makes a total for the year of 3.5p (3p). After tax of £90,287 (£77,930), net revenue amounted to £188,121 (£160,372).

EXCO INTERNATIONAL has paid £2.7m cash and £6.2m in loan notes for an 89 per cent stake in LM (Moneybrokers), which was set up to take over the moneybroking business previously carried on by Laorie, Milbank and Company. Exco has injected £10m of further capital into LM.

VIKING RESOURCES Trust's net asset value fell to 55.28p at end-March 1986, against 111.4p a year earlier. Net profit, after tax of £417,000 (£343,000) was £836,000 (£505,000), for earnings per share up at 2.09p (1.26p). The total dividend is lifted to 2p (1.15p), with a 1.45p (0.65p) final.

COLORGEN, the start-up company which assembles and sells low-cost automated colour matching products, reports a loss of $751,000 for the six months to end-December 1985 on turnover of $207,000 (£134,000). The company is o USM stock.

WILLIAM BOULTON Group, the machinery manufacturer, incurred further losses of £428,000 pre-tax, against £465,000, in the six months to end-December 1985 and is passing the preference dividend due at the end of this month. Turnover for the period was £3.79m, which compares with a reported £9.58m and £4m for continuing businesses only. Loss per share was 1p (1.1p). The last ordinary dividend was paid in 1983.

UK COMPANY NEWS

Offer for sale puts £39.2m value on Westbury

By Lucy Kellaway

THE PROSPECTUS is published today for an offer for sale of shares in Westbury, one of the country's largest housebuilders.

Kleinwort Benson is selling 10.9m shares et 145p, to value the company at £39.2m. Of the £15.8m proceeds of the sale, £12.9m is being raised by the company, which will be used to reduce borrowings.

Westbury operates in the South-west of England, the Midlands, and in Wales, building houses mainly for first-time buyers, although it has recently been building more expensive detached houses which sell at prices of up to £100,000.

Since it was established 20 years ago, Westbury had been run as a family group until it was bought out by its management in 1984. Four senior managers, backed by institutions including 3i and the Prudential, bought the company for £12m and proceeded to implement reductions in overheads, and build up the company's land bank.

During the last five years, Westbury has seen steady increases in its unit sales, in turnover and in profit. From £31.5m in 1982, turnover has climbed to £58m in the year to February 1986, while pre-tax profit over the period has grown from £2.2m to £4.3m.

At the offer price, the shares are on e p/e ratio of 11½ and yield 4 per cent. The application list opens on May 7, and dealings being en May 14.

The broker to the issue is Panmure Gordon.

● comment

The institutions that backed Westbury's management buy-out did a very wise thing. In less than 18 months, they have made e profit of more than 100 per cent, achieved partly by the manager's efforts in making the company a trimmer, more efficient concern, but mainly by the boom conditions in the housebuilding market. It would be too much to expect that those who back the company now get an equally good deal. While the remarkable health of the industry is likely to persist for at least another year, this is well reflected in the sector's rating. However, Westbury has been appropriately priced relative to its competitors, but unlike others in the sector, offers undiluted exposure te housebuilding, and by any ordinary standards the issue is likely to go well. In addition to growth from first-time buyers in the parts of the country in which it is well established, a further boost will come from more expensive housing as well as by the planned move into new areas.

NatWest confident

The UK's economic growth prospects had been boosted in recent weeks by reductions in oil prices, interest rates and in inflation, Lord Boardman, chairman of National Westminster Bank, told shareholders at the annual meeting yesterday, and he was confident of NatWest's prospects for 1986.

He was also encouraged by the willingness of leading industrial nations to work together on economic issues, and said that NatWest, although the least exposed of the "Big Four" UK banks to the 31 countries generally regarded as "problem situations," was working with international institutions to find solutions.

Natwest was also investigating how to develop the Budget proposal for Personal Equity Plans to help the small investor, he said, and welcomed the halving of the Government premium on borrowing under the Small Firms Loan Guarantee Scheme.

FT Share Information

The following securities have been added to the Share Information Services:

BPP Hldgs. (Section: Newspapers, Publishers).

Devenish (J.A.) 4.5pc Conv. 2nd. Pref. (Beers, Wines and Spirits).

Entertainment Production Services (Leisure).

Gold Greenlees Trott (Paper, Printing and Advertising).

Hanimex Corp. (Leisure).

Jarvis, Porter (Paper, Printing and Advertising).

Lawrence (Walter) 8½pc Conv. Cum. Red. Pref. (Building, Timber and Roads).

London Shop Prop. Trust 9½pc Conv. 1999/2004 (Property).

Meuvier Swain (Electricals).

Templeton, Galbraith and Hansberger (Trusts, Finance Land).

Tootal meets forecast at £27.4m

AS FORECAST early in its year Tootal Group reported pre-tax profits for the year to the end of January 1986 of £27.39m. It was an increase for the Manchester-based textile company of 20 per cent on the previous year's £22.85m.

Mr Alan Wagstaff, chairman, had predicted profits of more than £27m as part of the defence against the bid from Entrad, the Australian textile group, which failed in April last year.

The result was achieved on turnover down by 11 per cent to £388.04m against £435.36m. Earnings per share came out et 9.4p (7.5p) and the directors are recommending a final dividend of 2.5p (1.87p) making a total for the year of 4p, against 3.1p last time.

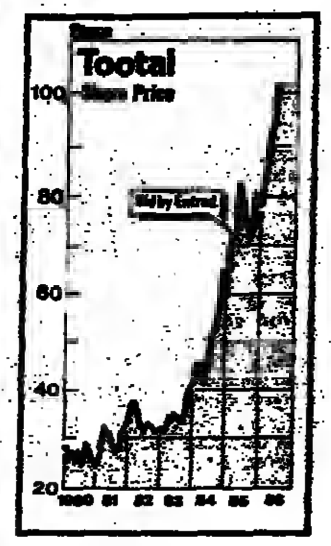
Directors say the profits were reduced by £2.7m because of adverse exchange rate movements. Mr Wagstaff says he is looking to a satisfactory increase in earnings and dividend in the present year.

Intensive planning has resumed on expansion, the directors add.

Trading profit came out et £31.52m (£28.29m) with contributions of £17.56m (£20.42m) from thread, £8.54m (£4.07m) from textiles, £3.88m (£2.05m) from clothing and £3.92m (£3.38m) from nonwovens. Related companies added a further £2.09m, up from last time's £1.4m, and the interest charges were £6.23m (£6.84m).

The tax charge was £7.58m (£6.57m) and minorities took £2.89m (£2.71m).

Mr Alan Wagstaff, chairman of Tootal Group



● comment

This is the first squeaky clean set of results that Tootal has produced for years . . . no extraordinary items, no face-saving property sales. The market responded by adding 5½p to the share price which rose to 102p yesterday. The dollar's dilution in January staved off the worst excesses of adverse currencies. Nonetheless Tootal lost £2.8m in pre-tax profits from these results. The thread division fared worst of all, although its problems were compounded by a static market in the US. Textiles fared well, however, buoyed by unexpectedly strong performances from home furnishings and Wax Batiks. Within clothing, Tootal has been one of the few Marks and Spencer suppliers to benefit from the Rayner regime. Having spent much of the early 1980s curbing costs, Tootal is now poised for growth. Nonetheless the City expects pedestrian profits of £30m this year, leaving the company at a discount to the textile sector with a prospective p/e of 10. Given that Tootal's activities are concentrated in low growth areas, its rating will never match that of the Vantona Viyellas. The company counters that staving off the Entrad bid absorbed much of the management's effort and energy last year and that now Entrad—and Jacob Rothschild—have retreated it can set its sights on acquisitions again.

Land Securities £100m debenture in bearer form

BY LUCY KELLAWAY

Land Securities, the biggest property development group in the UK, yesterday announced the first major debenture issue in bearer form, a response to changes in the Budget which have reduced the attractions of issuing debentures in their usual registered form.

In this year's Budget, all debentures were brought within the stamp duty net, except for those in bearer form.

The first such issue, made last week by Great Portland Estates which raised £25m in bearer form, is dwarfed by yesterday's issue.

Land Securities is raising £100m in 10 per cent First Mortgage Debenture Stock 2025. It will be added to a similar issue made last November to which a convertible option will be added, making the two issues interchangeable.

Since November Land Securities has raised a total of £300m in long term debt which it is using to fund its move into the expanding warehouse and superstore sector of the retail market. During the last year it made a number of acquistions, and has announced a series of development plans. The money will cover recent expenditure and give the group room to move forward in the future.

The full details of recent purchases will be contained in its annual results due next month. At the interim stage, profits to September 1985 were up by 20 per cent to £54.2m.

The debenture, which is being placed by J. Henry Schroder Wagg was priced yesterday at £105.523, with £25 payable now and the balance due in August. The gross redemption yield is 9.46 per cent, a margin of 0.55 per cent above a comparable gilt edged stock.

EDINBURGH OIL & Gas USM-quoted oil and gas exploration, production and investment company, incurred a £151,000 (£819,000 restated) pre-tax loss in 1985. There is no dividend (0.15p).

Norscot Hotels given boost by Clan acquisition

THE ACQUISITION of Clan Hotels last August enabled Norscot Hotels to improve its pre-tax profits by 27 per cent from £495,000 to £627,000 in the year to January 26 1986. The directors say that had it not been for the three hotels involved in the acquisition, Norscot's profits would have been down as a result of one of the worst summers on record.

The group also received very little benefit from the provision of accommodation for personnel involved in the Scottish North Sea oil industry. During the previous year, income from this source amounted to £641,000.

Group turnover for the year was 36 per cent higher at £4.18m compared with £3.08m. The pre-tax figure was after interest charges down from £204,000 to £176,000.

A final dividend of 1.2p makes the total for the year 2.4p. Stated earnings per 50p share were down from 11.8p to 9.5p. These are the first full year results from Norscot since it joined the Unlisted Securities Market last April.

● comment

Search long enough and you can find a silver lining within most clouds. For Norscot the collapse in the oil price might mean that its fuel oil bills will ease at some point but for last year the cloud looked fairly impenetrable in that the oil men disappeared — and they were men willing to bunk four to a room which was all rather jolly news for profit margins. So last year, the group was thrown back on the tourist trade. While that filled the empty beds easily enough the margins were not the same and had it not been for the inclusion of the Clan acquisition profits would have been down. However, even without the oil men the hotels look well placed for 1986. Cancellations by US tourists may become a fact of life but they account for under 10 per cent of volume so Norscot is not about to panic. With Clan in for a full year profits could reach £750,000 which makes the historic p/e of 9½ look a little lame. More acquisitions will come.

UK COMPANY NEWS

Redfearn shows further recovery at six months

WITH BOTH divisions in the black, Redfearn National Glass was able to swing from losses of £688,000 to profits of £344,000 pre-tax in the opening half of 1985-86.

Earnings emerged at 5.18p (losses 11.4p) and shareholders are to receive an interim dividend of 1.5p net, the first such payment since 1982.

Looking ahead, the directors say falling energy costs and reducing inflation are welcome. They plan to continue their emphasis on cost continment and increasing productivity to meet market opportunities and point out that the experience of the past six months has increased their confidence.

Despite over-capacity in the glass container industry and the resulting severe market conditions which will affect the group's ability to derive the full benefits from measures taken, the directors believe Redfearn is in a sound position for further development in selected areas of the packaging industry.

The six months to March 30 1986 saw turnover remain static at £27.39m (£27.4m), but trading profits push ahead from £67,000 to £865,000. There were further benefits from a £234,000 reduction in interest charges to £521,000.

In the glass division, sales were down from £24.5m to £23.4m, but there was a swing from losses of £484,000 to profits of £286,000.

The plastics division returned profits of £58,000, compared with last time's losses of £204,000.

● comment

The glass industry remains acutely competitive but courageous rationalisation at Redfearn National Glass has seen it through the worst and enabled it to pay out its first interim dividend in four years. Last year's second half marked an exceptional bounce back from losses and Redfearn may find this performance hard to beat, but the combined effect of lower energy costs, increased efficiency and a reduction in interest charges should help see the group well on the way to matching it. Some £2m for the full year on a tax charge of 10 per cent would have the shares, up 7p at 210p, on a prospective p/e ratio of 7. Two factors are suppressing the rating: the sight of Ron Brierley's 28 per cent stake overhanging the market and a question mark over the scope for solid growth once recovery is complete. However, there is enough confidence in the new management to suggest that the 150 per cent rise in the share price over the last year has not run out of steam yet.

Property sales put Cecil Gee in back

Cecil Gee returned to profits in the second half of the 56 weeks to January 25 1986, *boosted* by property sales. After reporting losses of £894,000 in the first half, the USM-quoted retailer and designer of men's clothing had pre-tax profits of £510,000 with a surplus on property sales of £2.9m of which £2.1m came from the sale of its Oxford Street branch to Marks and Spencer.

Turnover for the period was £23.31m. In the previous 52 weeks the company made £822,000 on turnover of £20.65m.

Earnings per 10p share came out at 5.8p (9.9p) and the single final dividend is to be maintained at 2.5p.

Directors blamed the lower performance on investment in expansion of the Gee 2 division the benefits of which should begin to be seen in the present year.

Mr Michael Gee, chairman, says the present year has started well and the future is seen with confidence.

Operating profit was £1.2m (£780,000) and the pre-tax figure was struck after interest charges of £443,000 (£268,000) and exchange losses of £68,000 (£281,000 gains). Last time there was investment income of £29,000. There was no tax charge against £44,000 last time, when there was also an extraordinary credit of £571,000.

Jacques Vert on target with £1.7m

Jacques Vert, the women's *fashionwear group* which joined the USM in December, hoisted pre-tax profits from £647,000 to £1.71m for the year ended January 19 1986. The result compares with the prospectus forecast of not less than £1.65m.

The directors say they are confident that the company will be able to report continuing substantial growth during the current year and beyond.

Turnover in 1985-86 rose 24 per cent from £8.51m to £10.54m, with exports continuing to rise at almost the same rate as other sales.

Shoes and leather accessories, which are recent additions to the company's range, have been well received and for the Autumn season the company has further extended its range to include co-ordinated jewellery.

As foreshadowed, there is no dividend — had the company's shares been quoted for a full year, a net payment of 5.5p would have been recommended.

Gross profits were some £1m higher at £3.8m. Expenses took £2.06m (£1.76m)

After tax of £723,000 (£21,000 credit) stated earnings per 10p share were up from 7.91p to 11.52p.

APPOINTMENTS

Yorkshire Bank chairman

Mr Sidney Wild will retire on August 31 as chairman of YORKSHIRE BANK, a position he has held since 1981. He will be succeeded as chairman by Sir Richard Pease. Sir Richard became a Barclays Bank local director in Newcastle in 1957 and, in 1970, chairman of the Newcastle board and a vice chairman of Barclays Bank. Sir Richard joined the Yorkshire Bank board in 1977, becoming vice chairman in 1981.

*

In a joint venture Dillon, Read Ltd, together with Dillon, Read and Co. Inc. of New York, have formed DILLON, READ INTERNATIONAL ASSET MANAGEMENT (DRIAM) to offer an investment management service to institutional clients focusing on European equities. Mr Robert Rawe has been appointed chief executive and will be based in London. He was previously with Baring International Investment Management (UK).

*

UNIT HOMES, the house-building wing of the Alfred Booth Group, recently acquired by Mowlem, has been reorganised. A new north Thames division has been formed and Mr Colin Stokes has been appointed *managing* director. The southern division will be headed by Mr Dennis Webb as managing director. Mr Robert Blackmore has been appointed marketing director and Mr Raymond White becomes financial director for the reshaped house-building operations.

*

Mr Roy E. Treacher has been appointed to the board of FIRST INDEPENDENT CORPORATE FINANCE.

*

At the annual meeting of the NATIONAL ASSOCIATION OF SCAFFOLDING CONTRACTORS Mr David Brown was elected president of the Association for 1986/87. The NASC's new senior vice president is Mr Michael Osmiston and the treasurer, Mr David Flood.

*

ELLIS AND EVERARD has appointed a new group chief accountant. He is Mr Norman Simpson, who was previously chief accountant with Ellis and Everard (Chemicals), the group's UK distribution division.

*

GRANVILLE AND CO. has appointed Mr Nicholas Harvey, Mr James Wesley and Mr David Williamson as assistant directors.

*

BRITANNIA BUILDING SOCIETY has re-appointed Mr John Quipp as chairman and made Mr Norman Cowburn, a former managing director of the Society, its deputy chairman. Mr Edward Walker, the former deputy chairman, is retiring. Mrs Elisabeth Rees joins the board.

*

WILLIS FABER has made the following appointments to the oil and gas division of its principal international broking subsidiary Willis Faber & Dumas: Mrs P. A. Perkins and Mr D. Bridges have become executive directors. Mr A. J. W. Frond and Mr R. E. Palk have been appointed divisional directors.

*

CALOR GROUP has appointed Mr R. J. Barry, Mr R. W. Pickering and Mr C. B. Richardson directors.

*

At HASBRO INC Mr Anthony J. Parkinson has been made senior vice president-corporate development, international, based in London.

*

VICKERS has appointed Dr Tony McCann to the board from May 22. He has been director of planning since 1980. He was appointed president of Vickers America Holdings Inc in January.

*

EBC AMRO BANK has appointed Mr Anthony Lund as its new chief executive from May 1. He is executive director of Shearson Lehman Brothers International in London and a managing director of Shearson Lehman Brothers in New York.

*

Mr Adrian E. Auer is to join the head office finance department of IMPERIAL CHEMICAL INDUSTRIES as a corporate treasurer responsible for cash and currency management and for finance matters in Continental Western Europe. He takes up his appointment on May 8 and joins ICI from British Petroleum.

*

Mr Brian Black, chairman and managing director of Renny's Garage, Tonbridge, Kent, has been elected president of the MOTOR AGENTS ASSOCIATION for the coming year.

FT LAW REPORTS

Employment rights not lost by late return from holiday

IGBO v JOHNSON MATTHEY CHEMICALS LTD
Court of Appeal (Lord Justice Slade, Lord Justice Parker and Lord Justice Nourse): April 23 1986.

AN AGREEMENT between employer and employee that the employee will be dismissed automatically if she returns late from holiday is invalid in that it limits the operation of employment protection legislation by converting her right not to be unfairly dismissed into a conditional right.

The Court of Appeal so held when allowing an appeal by Mrs Agatha Igbo from the judgment of the Employment Appeal Tribunal upholding an Industrial Tribunal's decision that she had not been dismissed by her employer, Johnson Matthey Chemicals Ltd.

Section 140 of the Employment Protection (Consolidation) Act 1978 provides: "(1) Except as provided by the following provisions in this section, any provision in an agreement . . . shall be void in so far as it purports—(a) to exclude or limit the operation of any provision of this Act . . ."

Section 54: "(1) . . . every employee shall have the right not to be unfairly dismissed . . ."

Section 55: ". . . (2) . . . an employee shall be treated as dismissed . . . if . . . (a) the contract . . . is terminated by the employer . . . by notice or without notice . . ."

LORD JUSTICE PARKER, giving the judgment of the court, said that Mrs Igbo was employed by the company from 1976 to September 28 1983.

In August 1983 she wished to go on holiday to visit her husband and children in Nigeria and for that purpose to have three more days holiday than was her contractual entitlement.

She was granted an extension on the terms of a letter from the company dated August 18 1983 on condition that she agreed to return to work on September 28 1983. The letter stated "If you fail to do this your contract of employment will automatically terminate on that date."

Mrs Igbo signed a copy of the letter agreeing to accept the terms and conditions.

She went on holiday and returned to the UK on September 26. She then fell ill. On Tuesday, September 27, her daughter telephoned the company's manager to ask if it would be in order for her to return to work on Monday, October 3, as she felt unwell. The manager said she should report for work the following day.

On September 28 the company received from Mrs Igbo a DHSS Sickness Benefit Claim Form stating she was unfit for work because of "alt sickness vomiting and stomach pains" and that she intended to start work on Monday, October 3.

Later on the 28th the company's personnel officer wrote to Mrs Igbo stating that, as she failed to return to work that day, her contract of employment was terminated in accordance with the terms of the letter of August 18.

Mrs Igbo forwarded a medical certificate covering the period of absence caused by sickness but the company decided not to re-engage her. She applied to the Industrial Tribunal alleging she had been unfairly dismissed.

The industrial tribunal decided Mrs Igbo had not been dismissed. She appealed to the Employment Appeal Tribunal (EAT) which dismissed her appeal. She now appealed.

The industrial tribunal and the EAT concluded that Mrs Igbo was not dismissed, on the ground that the case was indistinguishable from British Leyland (UK) Ltd v Ashraf [1978] ICR 979. There the EAT held on identical facts that the employee had not been dismissed but that there had been a consensual termination of the contract of employment.

If Mrs Igbo was to succeed Ashraf must be overruled.

It was contended that section 140 of the Employment Protection (Consolidation) Act 1978 rendered void the agreement that Mrs Igbo's contract would automatically terminate if she failed to return on September 28.

There was no question of the company seeking to behave improperly in granting leave on the terms agreed. It was a common practice and designed to ensure that employees, particularly perhaps those going overseas, did not overstay their leave, a situation which occurred all too frequently. Also there was no doubt that Mrs Igbo had the terms explained to her before she signed the copy of the letter.

However, despite that, it must be recognised that the effect of the terms, if Ashraf's case was right, could be very harsh. An employee who had been employed for many years with an impeccable record might, for example, be knocked down by a car within feet of the factory gate which he was about to enter at the proper time. If he managed to crawl to the gate and was promptly sent home by the employer in an ambulance his contract would not terminate. If he could not move and was taken away without getting to the gate, his contract would terminate.

To say of an employee who failed to return to work in such circumstances that there was a consensual termination of the contract offended against common sense. There would be nothing consensual about it. The employee's desire throughout would clearly have been that the contract should continue.

The question under section 140 of the 1978 Act was whether the holiday agreement had the effect of excluding or limiting the operation of any provision of the Act.

Mrs Igbo contended that the provision for automatic termination of the contract on failure to return to work had the effect of excluding or limiting the operation of section 54 and 55.

It was clear that but for the provision for automatic termination Mrs Igbo would have been dismissed within the meaning of section 55 had the company turned her off on September 28. The termination provision therefore, it was said, had the effect of "limiting the operation" of sections 54 and 55.

To that the company answered that it did nothing of the sort. Its effect was only to bring the contract to an end in a way which did not constitute dismissal for the purposes of section 54, namely by consensual agreement.

It was important to dispose of any idea that termination of a contract of employment by agreement by itself prevented an employee from being dismissed within the act. Every fixed term contract was terminated by consensual agreement on expiry, yet non-renewal constituted dismissal under section 55(2)(b). Every contract subject to termination by notice terminated by agreement if the employer gave proper notice, yet such termination constituted dismissal under section 55(2)(a).

Hence, if on August 18 Mrs Igbo and the company had agreed that her contracts should end on September 28 without more, she would have had a contract for a fixed term and non-renewal on that date would have constituted dismissal.

If the company's contention was correct the whole object of the Act could be easily defeated by including a term in a contract of employment that if the employee was late for work on the first Monday in any month, or any day, no matter for what reason, the contract should automatically terminate.

It could not be said that such a provision did not limit the operation of sections 54 and 55. It would vitally limit the operation of section 54(1) for the right not to be unfairly dismissed would become subject to the condition that the employee was on time for work on the first Monday of each month, or every day, as the case might be.

Where, as in the present case, such a provision was introduced by way of amendment to an existing contract, its limiting effect on the operation of sections 54 and 55 was even clearer.

Until Mrs Igbo signed the holiday agreement she was entitled to the full benefit of those sections. Having signed the agreement, if valid her position was radically changed. Up to September 27 the operation of sections was not affected, but their continued operation there after became subject to the condition that she reported for work on September 28.

In such circumstances it was impossible to avoid the conclusion that the provision for automatic termination had the effect if valid of limiting the operation of the sections. It was, therefore, void by virtue of section 140. Ashraf's case was wrongly decided and must now be over-ruled.

The effect of the automatic termination provision was the same as if it had said "in the event of failure to return to work on September 28, the termination of the employment on that ground shall not constitute dismissal under section 55" or "shall not give rise to any claim for unfair dismissal."

Any such provision would without doubt have been void as limiting the operation of the sections. There was no ground for saying that a provision which had the like effect did not limit such operation.

The question was whether a provision for automatic termination on failure to report for work on a specified date introduced by way of variation of a subsisting contract, had the effect of limiting the operation of sections 54 and 55.

To hold that it did not was impossible when the effect was to convert a right not to be unfairly dismissed into a conditional right not to be unfairly dismissed.

The appeal was allowed.

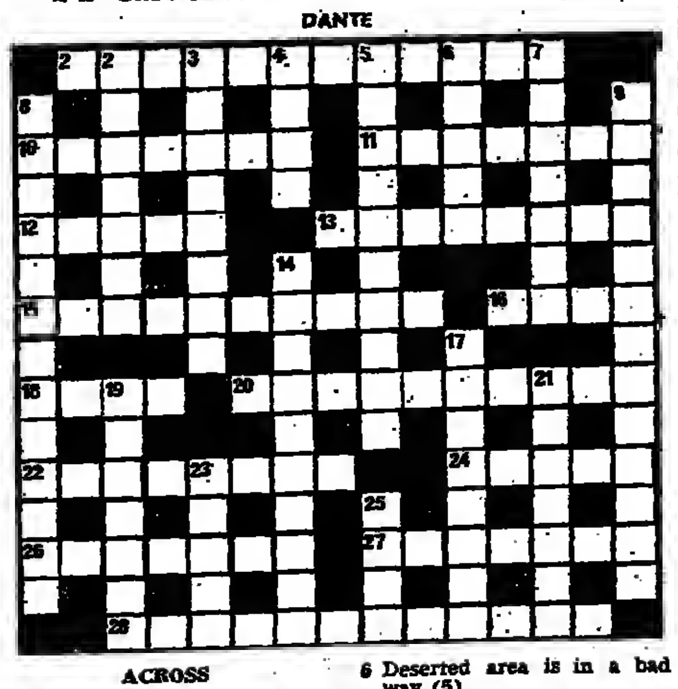
For Mrs Igbo: Jane Walker (Stuart A. West & Co).

For the company: Brian Keith (Taylor Garrett).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 6,010

DANTE



ACROSS

1 Exemplary piece of instruction (6,6)
10 Church eminence (7)
11 Possibly train as a singer (7)
12 Allowance cut in proportion (5)
13 Figure how much property I'm coming into (8)
15 Flight path designed to carry jet (10)
16 Sign on tha staff (4)
18 Flat-iron? (4)
20 Mere agents might make them (10)
22 I leave the law to the big guns (8)
24 Information that is to be found in the Arabian Nights (5)
26 Sufferers find it painful in the extreme (7)
27 It's read with feeling (7)
28 Gambling on ship's movement? (5,3,4)

DOWN

2 Meat and drink for the ailing? (4,3)
3 One has a job to get money from ooe (8)
4 Restrictions imposed for cup matches (4)
5 Simple way in which the affluent live (4,6)
6 Deserted area is in a bad way (5)
7 Geme with two essential elements of tennis (7)
8 Loyalty the French understand (6,2,5)
9 It will prevent the sheets getting awry (5,8)
14 Travelling drama director? (5-5)
17 He's bound to better himself elsewhere (8)
19 Finally attained a high position (5,2)
21 Puzzle no more (7)
23 Anything that sounds obligatory (5)
25 Black bone structure (4)

Solution to Puzzle No. 6,009

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or –	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Scottish Widows' Group

Standard Life Trust Mgmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life Trust Mgmt. Ltd

Swiss Life Pen. Tst. Man. Co Ltd

TSB Unit Trusts

Target Trust Mngrs. Ltd

Templeton Investment Management

Thornton Management Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs.

Trident Fd. Mngrs. Ltd

Tyndall Managers Ltd

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd

Waverley Asset Management Ltd

Westpac Unit Trust Managers Ltd

Whittingdale Unit Trust Managers

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

First Financial Services PLC

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London Life—Continued

London & Manchester Group

M & G Group

MGM Assurance

Manulife Group

Merchant Investors Assurance

NEL Britannia Group

National Mutual Life

National Provident Institution

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur. Co Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Ass. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assur. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Sentinel Life plc

Sharp (Albert E.) & Co.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal Luxembourg
World Fund NAV ... 51? 48 ... +0.18 —

World Wide Growth Management
10a Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.71 ... +0.04 —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal Luxembourg
Advanced Tech ... $15.69 ... +0.24 —
Dynamic Cash Fd ... $16.49 ... +0.26 —

Zero Bond Fund Limited
PO Box 208 St Peter Port, Guernsey ... 0481 26268
Zero Bond Fund ... $11.40 ... 12.69 —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 71 London Wall, London EC2N 1DB			01-588 1815	
Deposit	10.65		—	3-Mth
The Money Market Trust 63 Qn Victoria St EC4N 4ST			01-236 0952	
Call Fnd	10.95	8.19	11.41	Mth
7-day Fnd	10.97	8.17	11.46	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE			01-236 1425	
Call Fnd	11.86	8.12	11.66	6-Mth
7-day Fund	10.95	8.03	11.24	6-Mth
Dollar	5.75	..	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Chq Acc	10.00	7.20	10.10	Qtr
Aitken Hume 30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc	9.75	7.20	10.56	Qtr
Mth Inv Cheq	9.15	7.29	10.63	Mth
Allied Arab Bank Ltd 91-101 Cannon St London, EC4N 5AD			01-283 9111	
HIBCA	11.125	8.38	12.17	Mth
Bank of Scotland 38 Threadneedle St EC2P 2EH			01-628 8060	
Money Mkt Cheque Acc	10.06	7.51	10.96	Mth
Barclays Prime Account PO Box 125, Northampton			0604 252891	
High Int Cheque	9.75	7.125	10.31	Qtr
Britannia Investment Services Ltd. 76-78 Finsbury Pavement, EC2A 1JD			01-588 2777	
Call Alert	10.00	7.48	10.869	Mth
Charterhouse Japhet plc				

NOTES

c Yield based on offer price. Estimated. Today's opening price. Distribution free of UK taxes. Periodic premium insurance plans. Single premium insurance. Offered price includes all expenses except agent's commission. Offered price includes all expenses if bought through managers. Previous day's price. Guernsey gross. Suspended. Yield before Jersey tax. Ex-subdivision. Only available to charitable bodies. Yield column shows annualised rates of NAV increase. ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NCI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowater	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	20	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
Imps	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

US grain markets poised for fresh supply surge

BY DAVID OWEN IN CHICAGO

OVER-SUPPLIED US grain markets are bracing themselves for another influx of wheat and maize from tomorrow, when the US Government is due to start advance payments to farmers under the 1986 support programme.

Under the scheme, a proportion of the payment will be made in fixed value wheat or maize certificates which the recipient can sell on the free market. More than 350m bushels of maize and about the same amount of wheat are expected to be released in this way. Many farmers in spite of planting reduced acreages to qualify for deficiency payments, may effectively have more wheat and maize to sell than last season if the certificates are taken into account.

With new season crops already trading at a substantial discount on Chicago futures markets, in response to Washington's push to slash domestic prices levels, and the overall outlook bearish, farmers are expected to sell their certificate entitlements quickly to secure the highest returns. However, delays in the issue of some credits should ensure that the additional grain comes on to the market in a steady trickle rather than a sudden flood.

"Normally you expect to see a seasonal price rise between harvests in July and August," said one analyst at Stotler and Co, a Chicago Board of Trade member. "This year we don't see that happening. The in-kind payments are enough to continually relieve any tightness."

Some traders are more positive, believing the market has already discounted the likely effect of the certificates. They feel export demand for US produce is not as bad as some maintain, with the Soviet Union buying heavily in recent weeks, and Brazil expected to import record maize tonnages due to its poor domestic harvest. Most importers, however, continue to buy only for immediate need, postponing bulk purchases until the lower prices take effect.

Dry weather in main wheat-growing regions is proving a further short-term shot in the arm. One trader said the weather was proving difficult for wheat. "Maize is only 50 per cent planted, though it is less affected." When anticipated rainfall failed to materialise on April 28, Board of Trade wheat prices for May deliveries closed up 6.5 cents on the day, widening further the cash market's premium to futures prices.

But with mid-season wheat stocks at a record 2.54bn bushels (much admittedly tied up in government price-support storage schemes) and US grain exports in the five months to the end of February down a hefty 15 per cent on year earlier levels, few seriously expect the price situation to continue.

"With maize supply this year probably in the region of 11bn bushels, one analyst put the maximum estimated price at $2.30 a bushel. "You can't escape the fact there's just too much of it about," he said.

China link with Chicago

CHINA plans to start trading grains and metals futures on the Chicago Board of Trade at an appropriate time, a top Chinese trade official said, Reuters reports from Peking.

Sun Hanchao, deputy director of the International Trade Research Institute of the Ministry of Foreign Economic Relations and Trade, said China had not traded on the market before but planned to do so "under the right conditions."

CBT is the world's biggest futures market and expects to trade 100m contracts worth an average $60,000 this year, Karsten Mahlmann, CBT vice-chairman, said. It specialises in grains and oilseed futures, silver futures and options, gold and financial futures.

The ITRI yesterday signed a memorandum of understanding with the board for a programme teaching ITRI officials how the CBT works.

China became a big maize exporter last year, selling 6.34m tonnes abroad. Sun said 1986 maize exports would not be lower than in 1985.

LME opens up clearing system talks

BY STEFAN WAGSTYL

THE POSSIBLE launch of traded options on the London Metal Exchange could be held back by the proposed introduction of a clearing house at the exchange.

The LME, which decided to replace its principal-to-principal trading system with a clearing house in the wake of the tin crisis, has been advised that the clearing system should be allowed to 'bed down" before options are introduced.

The suggestion comes in a discussion paper sent to the LME by the International Commodities Clearing House, which has been asked to set up and run the LME's clearing system.

The document has been circulated to LME members, including both ring-dealing and non ring-dealing companies, for comment. The LME board and committee wants members to reply as quickly as possible so that it can reply to ICCH's proposals by the end of May.

Time is short. The LME needs to have a clearing house in action by the beginning of next year in order to satisfy the requirements of the Securities and Investments Board, which is being set up by the Government to oversee City markets.

The discussion papers makes wide-ranging proposals:

LME ring-dealing members would need to become ICCH clearing members. Non-ring-dealing companies could be allowed to become clearing members but only if the LME empowered ICCH to pass information to the LME about those companies' market exposure.

LME trades would be cleared daily. They would be matched and guaranteed by ICCH.

All positions would have to be covered by an original margin payment roughly equal to an anticipated day's movement in price. Margins could be paid on cash, on which ICCH would pay interest, bank gusrantee, treasury bills or possibly metal warrants. Subsequent variation margins would be paid in cash or approved securities.

ICCH could, in consultation with the LME, change margins to reflect the volatility of contracts.

A fee of 15p a trade is suggested—compared with 7.5p charged by ICCH to members of the London International ~~Financial Futures Exchange and~~ up to 35p charged to members of some soft commodity markets on the London Commodity Exchange. The higher charges reflect more complex clearing systems.

● Philipp & Lion, a metal trader which left the LME in the wake of the tin crisis, is cutting 30 of its 50 staff.

The firm, which has been run as a partnership for many years, is also turning itself into a limited liability company under the name Philipp & Lion (Holdings) with Philipp & Lion (UK) as its main trading subsidiary.

Oil price fall slow to hit world coal trade

BY MAURICE SAMUELSON

FALLING oil prices by stimulating economic growth could increase demand for coal-fired electricity, in spite of the harm they will inflict on coal in other parts of the energy market, Chase Manhattan Bank said in its monthly coal report.

In a review of prospects for international coal trading in 1986, the report says that even if oil prices fail to recover from their present levels, coal suppliers will feel only a limited impact this year.

In spite of the level of spot prices, the report suggests if crude oil prices recovered to $15 a barrel in the second half of the year, the amount of coal traded internationally in 1986 could exceed last year's 335m tonnes. If it stays at the present $10-$12 per barrel level, it could fall to 319m tonnes.

The international coal trade is shielded from the immediate impact ~~of the oil price drop~~ because most of the coal is supplied under contracts which limit the consumer's ability to respond quickly to the changing oil situation.

The most vulnerable is coal purchased on the spot market or under contracts about to expire. However, Chase Manhattan says coal suppliers "will not just walk away from the market. Rather, when possible they will respond by lowering their own prices."

Coal suppliers have some flexibility to do so since some of their own costs, including freight, are related to oil prices.

In addition to the higher demand for coal-fired electricity stimulated by improved economic growth, the cheaper oil could also indirectly benefit coal demand by strengthening the markets for both steel and cement, both of which are strongly reliant on coal.

In the steel industry, however, demand for metallurgical coal could also be affected by the attractiveness of injecting cheap fuel oil into blast-furnaces.

The cheaper the oil, the greater the ability of South Africa's coal industry to exploit its price advantage against its main rivals in Australia and the US and so overcome the growing political barriers erected against it in Western Europe.

The South Africans, capable of exporting 40m tonnes a year of power station coal, can cut prices to match or beat even $9 a barrel oil prices, and so gain up to an additional 5m tonnes of sales.

● GAS users in many countries are benefiting from falling prices as cheaper oil affects other fuel markets.

National Utility Services, the international tariff analysts based at Croydon, Surrey, reports gas price cuts ranging from 1 per cent in Canada, where oil is historically much dearer than gas, to more than 30 per cent in France, over the past six months.

A short cut in sugar transport

BY ANDREW GOWERS

HAVE THE E. D. and F. Man group and Thomas Nationwide Transport gone mad? The two companies, respectively among the world's biggest sugar trading and transportation groups, have just spent about $17m (£10.9m) buying and converting an old merchant ship for the bulk shipment of white sugar.

With a large volume of shipping capacity laid up around the globe, freight rates plumbing ever increasing depths and commodity prices struggling to emerge from their worst depression in decades, it hardly looks the most fashionable of investments.

Yet both componies, which have formed a Singapore-based joint venture to run the ship, newly named the CHL Innovator, are making hold claims for its powers and its potential profitability.

"We believe that the next generation of traders and shippers will not be able to contemplate life without this unique trading and transportation tool," said Mr Peter Allsebrook, chairman of TNT (UK), the British arm of the Australian-based group, as the Innovator was relaunched last Friday in a blustery Dunkirk.

"We are certain that (this) is a major step forward for the sugar trade," added Mr Michael Stone, chairman of Man, which has been trading sugar from London for more than 200 years and now handles between 4m and 6m tonnes of sugar a year, one third of it in the form of white (refined) sugar.

Their excitement is explained by what they claim is a key technological advance: the ship's ability to load white sugar in bulk and discharge it in bags, known—with a nod to that earlier innovation, the roll-on roll-off (RORO) vessels—as the "Bulk-In, Bags-Out" (B/I/B/O) concept.

This may be the solution to a set of problems that have plagued the sugar trade for years, and could eventually lead to efficiency gains in the handling of other commodities.

Sugar shipping costs—including demurrage and stevedoring charges—have been kept on the high side by the excessive time it normally takes to pack sugar at the port and load it in bags. The bags themselves have tended to suffer damage in transit, leading to heavy insurance costs.

Other companies—Tate & Lyle, for one, before its interest in exporting substantial amounts from the UK waned in the 1970s—have searched for a way around these obstacles for years.

"Sugar importers in North Africa and the Middle East have been taken to the cleaners for years because of the high freight costs and losses in transit," said Mr Stone.

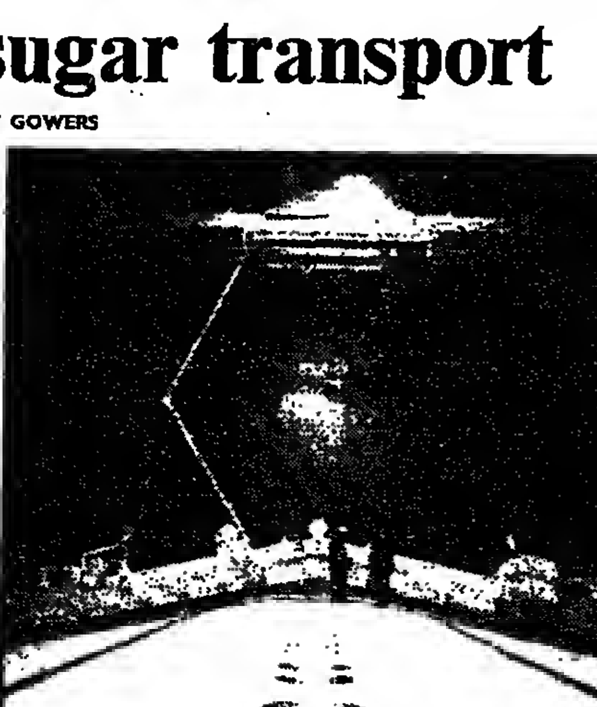
But with the newly-converted vessel, bought from Lyle Shipping of the UK for $5.5m and able to carry about 18,000 tonnes of white sugar, loading time will be cut to a matter of days rather than weeks. It will be able to bag sugar in its air-conditioned hold and unload its entire cargo in six days, compared with the duration of around four weeks that is customary for normal ships of its size.

TNT already has some experience in running specialist bulk carriers for items such as alumina. It sees such ventures as an important way of adding value to bulk handling operations, which have been a distinctly unprofitable business of late.

"Once it appeared that shipping was almost unrelated to any aspect of the commodity trade outside the ocean passage," said Mr Allsebrook. "All that has changed. The casualties are those shipowners who have relied on traditional markets and outdated trading cycles."

Likewise for Man, which provided TNT's entree into the somewhat exclusive world of sugar, the venture is a trading and cost-cutting tool. To maximise the loading and unloading efficency gains, it will be keeping its voyages short—mainly to countries in North Africa and the Middle East.

Mr Yves Bonavero, head of Man (Sugar), says the ship looked a profitable venture when it was first mooted three years ago, and it still looks profitable now, in spite of the subsequent collapse in general freight rates and bunker fuel costs which have made conventional bulk carriers more competitive—and even though it is strictly a one-way carrier. He says it should pay for itself in about 10 years.



The Innovator: inside the world's first Bulk-In, Bags-Out refined sugar carrier

But it is also a stepping-stone for the company's broader ambitions.

Man, faced like other commodity businesses with a slump in earnings from traditional trading operations, is in pursuit of vertical integration, of ownership of all links of the commodity producing and handling chain.

It already owns sizeable coffee plantations in Brazil, for example; it is keen to make further investments in bulk sugar handling, and it is talking to at least one key North African importer about building a port terminal for sugar. The absence of such facilities in many of the ports that the Innovator will be visiting is a significant weakness of the project so far.

Both Man and TNT are also actively considering how B/I/B/O might be applied to other bulk commodities, such as flour, rice, cocoa and coffee. But they have a long way to go if they want to build up a really integrated commodity shipping empire.

LONDON MARKETS

ZINC prices rose sharply on the London Metal Exchange yesterday following the announcement of unexpected producer price increases by several European smelters. Metallgesellschaft of West Germany led the pack in the morning by increasing its price to $730 a tonne from $700, and others swiftly matched that level. This prompted trade buying and short-covering on the LME, and three-months metal ended £14.25 up on the day at £450.50, comfortably above its level over the last two weeks. Some analysts said, however, that the move by European producers looked premature, with dollar equivalent prices on the LME still hovering below the $700 level, and that they may have to rescind the increases soon. On the London Commodity Exchange, sugar futures were boosted by fears—emanating from New York—that the Soviet beet crop may have been damaged by the nuclear accident near Kiev. Cocoa futures continued their recent slide and touched new three-year lows during the day.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	701-3	+3.6	—
3 months	764-5	+3	761/754

Official closing (am): Cash 764-5 (754-5), three months 754-5 (748-8.5), settlement 765 (755). Final Kerb close: 754-5.
Turnover: 8,900 tonnes.

COPPER

Highergrade	Unofficial close	+ or —	High/low
Cash	919-20	-5.5	984/910
3 months*	952-9.5	-5.75	957/931

* Grade "A"

Official closing (am): Cash 924-5 (928-5.5), three months 231.5-2.5 (943-3.5), settlement 825 (929.5). Final Kerb close: 935-3.

Cathodes			
Cash	915-0	-3.5	—
3 months*	925-7	-5.5	—

* Standard

Official closing (am): Cash 922-4 (926-8), three months 923-5 (935-7), settlement 924 (928).
Turnover: 84,600 tonnes. US Producer prices 66.50-72 cents per lb.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	233.4	-4.85	236.5
3 months	241-1.0	-4.25	244.5/240

Official closing (am): Cash 236-8.5 (238-9.5), three months 242-3 (246.5-8.75), settlement 236.5 (239.5). Final Kerb close: 242-3.
Turnover: 5,950 tonnes. US Spot: 18.75-20 cents per lb.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2562-70	+10	—
3 months	2685-50	+93.5	2640/2605

Official closing (am): Cash 2565-70 (2585-600), three months 2619-20 (2640-1), settlement 2570 (2600). Final Kerb close: 2634-35.
Turnover: 1,710 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.57 (14.61) ringgit per kg. Down 0.04 ringgit per kg.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	439-40	+14.5	436
3 months	450-1	+14.25	455/440

Official closing (am): Cash 436-6.5 (430-30.5), three months 447-7.5 (441-3), settlement 436.5 (430.5). Final Kerb close: 452-2.5.
Turnover: 6,400 tonnes. US Prime Western: 33-33.75 cents per lb.

GOLD

Gold rose just $1 an oz from Monday's close in the London bullion market yesterday to finish at $345½-346. The metal opened at $342½-343 and traded between a high of $346¾-347¼ and a low of $341¾-342¼. Trading was rather quiet and uneventful with little incentive to push the metal outside its recent trading range.

GOLD BULLION (fine ounce)	April 29	
Close	$345½-346	(£222.0001½)
Opening	$342½-343	(£221¼-223)
M'n'g fix	$340.55	(£220.985)
Aft'n'n fix	$342.45	(£220.795)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$344½-345	(£228-908¼)
½ Krug.	$168½-183¼	(£117¼-118½)
¼ Krug.	$92¾-93½	(£59¾-60½)
1/10 Krug.	$37¼-38½	(£24¼-24¾)
Mapleleaf	$354-354½	(£229.098½)
Angel	$353½-356½	(£307¼-229)
1/10 Angel	$35-40	(£28½-25¼)
New Sov.	$82-82½	(£50-3¼-55¼)
Old Sov.	$87-90	(£55-07¼)
$20 Eagle	$425-475	(£275¼-306)
NoblePlat	$454¼-458¼	(£260-285¼)

SILVER

Silver was fixed 5.6p an ounce lower for spot delivery in the London bullion market yesterday at 324.4p. US cent equivalents of the fixing levels were: spot 502.5c, down 7.1c; three-month 510.75c, down 5.9c; six-month 512.55c, down 7.45c; and 12-month 535.5c, down 7.0c. The metal opened at 324½-326p (502-504c) and closed at 328-329½p (510-512c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	324.40p	-5.60	329.0p	+9.5
3 months	339.45p	-5.55	557.0p	+2.5
6 months	339.60p	-5.85	—	—
12 months	354.10p	-5.70	—	—

LME—Turnover: 3 (30) lots of 10,000 oz.
Three months high 332p, low 329p, final kerb 336-338p.

RUBBER

PHYSICALS—The London market opened sharply lower, ruled quiet throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): spot 54.50p (same): June 52.50p (52.75p): July 52.50p (52.75p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 was 195.0 (197.0) and SMR 20 179.0 (182.5).

FUTURES—Index 527. June 514-525, July-Sept 512-514, Oct-Dec 512-514, Jan-March 525-528, April-June 512-514, July-Sept 549-553. Sales: 73.

INDICES

REUTERS

Apr. 29	April 28	M'th ago	Year ago
1776.4	1781.8	1807.9	1669.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	April 28	April 25	Month ago	Year ago
Spot	128.25	129.34	—	118.68
Fut.	124.08	123.96	—	125.37

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Apr. 29 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1320/540	+15	$1525/356
Copper			
Cash h Grade	£919.5	-5.0	£974.5
3 mths	£9325.25	-5.75	£998.25
Gold Troy oz	$345.70	+1	$328.75
Lead Cash	£233.5	-4.25	£250.5
3 mths	£241.95	-4.25	£258.5
Nickel			
Free Mkt	180/200c	-2	178/198c
Palladium oz	$109.35	-1.75	$108.50
Platinum oz	$491.25	-2.85	$409.70
Quicksilvert	$220/238		$230/235
Silver troy oz	324.40p	-5.60	364.15p
3 months	332.45p	-5.55	364.05p
Tin			
free mkt	£3656/680	-20	£5686/880
Tungsten	$62.07		$65.61
Wolfram 22.0lb	$45/55		$48/56
Zinc	£439.5	+14.5	£441.5
3 months	£450.0	+14.5	£454.25
producers	$700/730		$650/670
OILS			
Coconut (Phil)	$252.5x	-2.5	$320
Palm Malayan	$245z		$285
Copra Phil	$160x		$190
Soyabean (U.S.)	$148x		$159
GRAINS			
Barley Fut.Sept.	£98.90	+0.80	£100.50
Maize	£144.00		£143.00
Wheat Fut July	£116.00	+0.05	£122.75
No. 9 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	1306.5	-9	£1591.5
Coffee Ft. July	2294	+0.5	£2406
Cotton A Ind.*	47.10c		50.25c
Gas Oil June	$125.25	-3.25	$110.25
Rubber(kilo)	54.60p		07.75p
Sugar (raw)	$196.5y	-3	$213.0
Wooltops 64s	418p kilo		411s kilo

‡ Unquoted. † Per 75 lb flask. c Cents a pound. v May. y April-May. w June. x May-June. z July. * Cotton Outlook.

MEAT

Nearby pigmeat and spot May beef prices closed lower due to hedge selling, reports Eastern Capital-CCST. Pigmeat sales: 104 (55) lots of 50 carcases, 3,250 kg.
Beef sales: 14 (20) lots of 20 sides.

Month	PIGMEAT Y'days close	+ or —	BEEF Y'days close	+ or —
April	—	—	—	—
May	103.50	+0.10	189.00	-0.50
June	101.50	-0.70	188.50	+4.50
July	101.60	+0.40	184.00	—
Aug	101.90	+0.40	180.10	-0.30
Sep	106.40	-0.39	179.30	—

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 86.76p per kg lw (+0.86). GB—Sheep 276.78p per kg est dcw (+11.71). GB—Pigs 77.46p per kg lw (—0.30).

COCOA

Futures closed a little lower generally, with nearby falling more sharply. No physical interest was noted since both producers and consumers were reluctant to re-enter the market at present levels, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
May	1299-1300	-32.0	1318-1300
July	1306-1307	-9.00	1318-1292
Sept	1328-1330	-8.5	1335-1322
Dec	1353-1355	-4.5	1378-1355
March	1389-1393	-2.0	1398-1383
May	1410-1415		1414-1404
July	1425-1428	+4.0	1425-1425

Sales: 3,929 (3,759) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for April 29: 86.45 (89.02); five-day average for April 30: 90.45 (91.88).

COFFEE

Futures opened weaker than expected but continued to trade in a narrow range, reports Drexel Burnham Lambert. Spread trading, particularly in the nearby May position, dominated the volume and although some inter-dealer business was reported, physicals trade was slow.

COFFEE	Yesterday Close	+ or —	Business Done
May	2226-2230	-1.0	2240-2220
July	2293-2245	+6.0	2310-2285
Sept	2346-2350	+6.0	2360-2335
Nov	2390-2395	+6.0	2407-2385
Jan	2410-2430	-6.5	2430-2425
Mar	2430-2460	-1.0	2450-2440
May	2430-2475	+15.0	

Sales: 5,861 (3,172) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for April 28: Comp. daily 1979 195.75 (194.77); 15-day average 191.27 (190.86).

SOYABEAN MEAL

A mixed trading day saw two-way commercial participation along with good consumer and speculative buying, reports Muirpace.

	Latest close £ per tonne	+ or —	Business Done
June	124.5-125.8	-0.85	125.0-124.5
August	122.4-122.8	+0.40	122.0
October	123.2-123.9	+0.55	123.0-122.5
Dec.	124.5-125.0	+0.50	124.0
Feb.	127.0-127.5	+1.50	128.0
Apr.	128.0-129.0	+0.75	127.5
June	127.5-129.0	-0.50	

Sales: 217 (104) lots of 20 tonnes.

GRAINS

Old crop wheat found erratic and nervous short-covering before easing sharply on commission house long liquidation. New crops steadied before falling back on short-term profit-taking, reports T. G. Roddick.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent, May 125.50, June 118.00 transhipment east coast. US No 2 soft red winter July 01.25. EEC first-half May 137.75. English feed fob Sept 100.60, Jan/Mar 110.50/111.00 paid east coast, customs cleared 122.00 seller, May 120.00/120.50, June 121.00/121.50 Buyer/seller, Oct 103.50 buyer, Oct/Dec 105.50/106.00. Jan/Mar 110.25/111.00 buyers/sellers. Maize: US no 3 yellow/French transhipment east coast first-half May 144.00. Barley: English feed fob April 118.00/117.50, May 118.50/118.50 buyers/sellers, Aug 89.00, Sept 89.00 seller.

HGCA—Locational ex-farm spot prices. Feed Barley: S. East 112.20. S. West 111.50. N. West 113.40. The UK monetary coefficient for the week beginning Monday May 5 (based on HGCA calculations using 5 days' exchange rates) is expected to be unchanged.

Mnth	WHEAT Yesterday close	+ or —	BARLEY Yesterday close	+ or —
May	117.55	-0.29	111.95	-0.95
July	118.00	+0.05	—	—
Sept	98.85	+0.30	98.80	+0.50
Nov	102.55	+0.25	101.90	+0.50
Jan	105.65	+0.60	105.15	+0.55
Mar	109.40	+0.40	107.90	+0.55

Business done—Wheat: May 113.25-7.45, July 113.75-5.95, Sept 100.00-99.75, Nov 102.60-2.55, Jan 105.65-5.60, March 108.45-8.20. Sales: 749 lots of 100 tonnes. Barley: May 112.00-1.85, Sept 98.80-8.20, Nov 102.00-1.80, Jan 104.75, March untraded. Sales: 87 lots of 100 tonnes.

US MARKETS

RUMOURS OF increased US military presence in the Mediterranean prompted cautious speculative short-covering in gold, but technical profit-taking pared the gains, reports Heinold Commodities. Silver reacted in line with gold with an initial flurry of buying but the firmer tone did not last following the profit-taking in gold. Platinum ignored the fundamental effects and lost ground in dull trading. Copper continued to attract negative sentiment but losses were checked by strong support levels. Cocoa saw a late rally on technical profit-taking following the recent slide. Sugar advanced the daily limit in the deferred positions on a surge of trade and commission house buying on fears over the effects of the Soviet nuclear disaster on crops.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
May	54.45	55.00	54.40	54.50
June	54.90	—	—	54.75
July	54.75	55.25	54.75	54.90
Sept	54.75	55.25	55.25	54.90
Dec	54.85	—	—	55.00
Jan	54.90	—	—	55.05
March	54.90	—	—	55.05
May	54.95	—	—	55.10
July	55.00	—	—	55.15
Sept	55.05	—	—	55.20

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
May	1760	1760	1720	1722
July	1826	1828	1790	1786
Sept	1865	1865	1852	1852
Dec	1935	1935	1906	1908
March	1953	1958	1940	1921
May	1980	—	—	1970
July	2002	2003	2003	2003

COFFEE "C" 37,000lb, cents/lb

	Close	High	Low	Prev
May	234.83	235.50	232.00	235.00
July	238.59	240.25	238.50	239.60
Sept	243.25	244.40	242.75	243.95
Dec	247.38	248.25	246.50	247.50
March	249.85	250.00	249.00	250.00
May	251.38	251.00	250.50	251.25
July	252.75	—	—	254.53
Sept	253.63	—	—	253.75

COPPER 25,000 lb; cents/lb

	Close	High	Low	Prev
May	63.53	63.60	62.90	63.40
June	62.85	—	—	63.65
July	63.15	63.95	63.00	63.80
Sept	63.45	64.25	63.20	64.20
Dec	63.75	64.85	63.65	64.50
Jan	63.85	—	—	64.80
March	64.05	64.80	64.50	64.80
May	64.25	64.85	64.50	64.80
July	64.55	65.60	65.30	65.30
Sept	64.80	—	—	65.55

COTTON 50,000 lb; cents/lb

	Close	High	Low	Prev
May	65.85	66.30	65.85	66.05
July	65.73	66.05	65.50	65.84
Oct	36.83	36.83	36.35	36.35
Dec	37.10	37.75	36.87	36.51
March	37.30	38.05	37.72	37.55
May	38.70	38.00	38.70	38.00
July	39.35	39.80	39.50	33.10
Oct	39.85	40.00	40.00	39.62

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
June	13.49	13.65	13.06	13.36
July	13.07	13.25	12.76	13.08
August	12.98	13.10	12.65	12.93
Sept	12.90	13.00	12.65	12.96
Oct	12.90	13.08	12.60	13.05
Nov	12.90	13.05	12.75	13.06
Dec	13.05	13.25	12.85	13.10
Jan	12.95	13.08	12.90	13.13
Feb	13.05	13.15	13.00	13.16
March	13.06	13.15	13.15	13.19

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
May	346.5	346.5	346.5	344.0
June	346.9	348.5	345.5	344.7
Aug	350.1	352.5	348.8	349.0
Oct	353.7	356.6	353.0	352.2
Dec	358.7	368.5	353.3	355.7
Feb	360.5	361.5	361.0	359.5
April	363.7	367.0	361.0	362.4
June	367.3	367.5	366.5	366.4
Aug	371.2	372.5	367.0	370.3
Oct	375.1	—	—	374.2
Dec	378.9	376.5	376.4	378.2
Feb	383.8	—	—	382.7

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
May	44.00	44.90	43.50	44.73
June	41.00	42.00	40.50	41.86
July	38.95	40.40	38.46	40.25
Aug	38.95	—	38.60	40.00
Sept	39.70	40.20	39.30	40.35
Oct	40.20	40.75	39.95	40.85
Nov	40.90	41.50	40.90	41.40
Dec	41.25	42.00	41.20	42.15
Jan	41.50	41.90	41.50	42.55
Feb	41.50	41.90	41.50	42.40

ORANGE JUICE 15,000 lb; cents/lb

	Close	High	Low	Prev
May	90.70	91.50	90.10	90.30
July	91.50	91.80	91.50	91.30
Sept	90.85	90.60	90.05	90.50
Nov	90.85	90.50	90.25	90.50
Jan	91.00	91.25	90.80	90.75
March	91.50	92.00	91.25	91.50
May	92.00	—	—	91.75
July	92.50	—	—	92.30
Sept	92.50	—	—	92.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
May	415.0	—	—	420.3
June	415.8	—	—	421.0
July	415.8	425.0	415.0	423.3
Oct	419.0	428.0	418.0	426.3
Jan	422.5	431.5	422.0	429.3
April	425.4	432.0	432.0	432.3
July	440.0	—	—	435.8

SUGAR WORLD "11" 112,000 lb; cents/lb

	Close	High	Low	Prev
May	8.80	8.60	8.16	8.30
July	9.11	9.15	8.86	8.91
Sept	9.09	9.09	8.80	8.85
Oct	9.15	9.16	8.83	8.86
Jan	9.06	9.06	9.05	8.87
March	9.44	9.44	9.02	9.04
May	6.56	6.56	6.34	9.15
July	9.89	9.89	9.33	9.32
Sept	8.77	—	—	9.42

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
May	506.1	517.5	—	502.5
June	509.1	515.0	015.5	505.0
July	512.5	524.0	506.5	508.4
Sept	518.9	530.0	126.0	514.8
Dec	528.2	538.0	521.5	524.3
March	537.4	547.0	536.5	533.8
May	543.5	551.5	—	539.3
July	549.9	553.0	508.0	546.7
Sept	556.7	557.0	556.0	552.5

CHICAGO

LIVE CATTLE 40,000 lb; cents/lb

	Close	High	Low	Prev
April	56.42	56.42	55.95	55.92
June	55.77	55.70	54.70	54.25
Aug	53.07	53.07	51.80	51.87
Oct	52.67	52.67	51.25	51.17
Dec	54.18	54.15	52.65	52.95
Feb	54.50	54.50	53.10	53.00

LIVE HOGS 30,000 lb; cents/lb

	Close	High	Low	Prev
June	45.40	45.40	44.40	43.90
July	45.42	45.52	44.40	44.02
Aug	43.17	43.17	42.25	41.67
Oct	39.35	39.35	38.25	38.00
Dec	40.62	40.62	39.70	39.12
Feb	41.32	41.80	40.85	40.25
April	38.75	38.75	38.25	38.00
June	40.90	40.90	40.15	40.10
July	41.25	41.20	40.25	40.45

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
May	231.0	233.6	225.4	230.0
July	222.6	224.6	218.4	218.0
Sept	206.0	206.4	199.6	199.2
Dec	199.6	204.6	196.6	195.0
March	206.6	210.6	205.0	203.4
May	213.2	217.6	209.4	208.6
July	213.4	218.0	209.4	208.6

PORK BELLIES 38,000 lb; cents/lb

	Close	High	Low	Prev
May	56.95	56.55	55.10	54.55
July	57.32	57.32	55.05	55.32
Aug	55.35	55.35	54.10	54.20
Feb	59.00	59.50	58.00	58.00
March	59.70	58.70	57.90	57.95
May	60.20	60.20	—	59.15

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	533.4	536.0	528.4	527.4
July	533.4	535.4	528.4	527.4
Aug	532.0	532.6	523.0	522.2
Sept	523.0	529.2	515.4	511.4
Nov	522.2	529.4	512.4	509.6
Jan	531.0	537.0	522.4	518.4
March	540.0	546.0	530.4	527.4
May	544.0	549.0	538.4	532.4
July	547.4	552.0	538.4	536.0

SOYABEAN MEAL 100 tons; $/ton

	Close	High	Low	Prev
May	152.9	154.4	152.1	152.2
July	153.0	154.8	152.1	152.1
Aug	153.1	154.7	151.8	152.0
Sept	152.0	153.5	151.0	150.7
Oct	151.0	152.5	150.0	149.5
Dec	152.1	154.0	149.8	148.2
Jan	153.1	154.5	152.8	151.0
March	153.5	—	153.1	151.0
May	—	—	—	151.5

SOYABEAN OIL 60,000 lb; cents/lb

	Close	High	Low	Prev
May	17.52	17.80	17.15	17.04
July	17.90	18.17	17.51	17.36
Aug	18.08	18.28	17.66	17.51
Sept	18.10	18.33	17.70	17.57
Oct	18.10	18.10	17.70	17.57
Dec	18.42	18.60	18.06	17.92
Jan	18.56	18.70	18.00	18.05
March	18.96	19.00	18.66	18.35
May	19.25	19.10	18.96	18.57

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	306.0	314.4	294.4	295.4
July	273.4	280.6	261.0	260.2
Sept	272.4	281.0	261.0	261.2
Dec	280.4	288.0	268.0	268.2
March	278.2	285.0	265.0	265.0
May	263.0	272.0	256.0	252.0

SPOT PRICES—Chicago loose lard 11.00 (same) cents per pound. Handy and Harman silver bullion 615.0 (504.5) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $196.50 (£128.00), down $7.00 (down £5.00) a tonne for April-May delivery. White sugar $216.50, down $7.00.

Concern over the effects of the USSR nuclear plant disaster produced a strong rally late in the afternoon, reports C. Czarnikow.

No. 6 Contract	Yesterday close	Previous close	Business done
	$ per tonne F.O.B.		
May	197.0-198.0	199.0-199.0	199.0-196.0
Aug	202.2-204.0	199.2-204.5	205.4-201.0
Oct	204.8-204.4	195.4-194.0	208.4-191.8
Dec	206.8-204.8	194.4-204.0	—
Mar	209.2-208.0	205.6-204.0	211.4
May	212.8-212.0	198.0-208.0	—
Aug	215.0-216.0	207.0-208.0	—

Sales: 4,896 (2,626) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £233.50 (£238.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for April 28: daily price 8.16 (8.22); 15-day average 8.20 (8.25).

No. 0 cif contract—May 213.0-7.0; August 220.0-3.0; Oct 222.0-4.4. Sales: 4 lots of 50 tonnes.

PARIS—(FFr per tonne): August 1552-1555, Oct 1570-1575, Dec 1580-1600, March 1610-1620, May 1640-1660, August 1660-1700.

OIL

Trade in the 15-day market was quiet with June Brent down to just below $12.5 barrel. Other North Sea crudes dominated the dated trade but there was little interest in prompt Brent. Nymex WTI opened 21c down and traded erratically as traders awaited the API statistics. In the petroleum products market gas/oil prices weakened despite continued strong demand for very prompt oil. Naphtha also fell heavily. Fuel oil prices were unchanged in thin trade—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—May		
Arab Light	—	
Arab Heavy	—	
Dubai	9.30-10.00*	+0.05
Brent Blend	12.40-12.45	-0.425
W.T.I. (1pm est)	13.40-13.50*	-0.60
Forcados (Nigeria)	—	
Urals (cif NWE)	—	
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	185-186	+10.5
Gas Oil	154-155	-5
Heavy fuel oil	65-67	
Naphtha	128-129	-6.5

* June

Petroleum Argus estimates

POTATOES

All positions came under keen selling pressure, with continued fine weather encouraging planting hopes (Plantings to Friday, April 25 were 42,156 hectares, cf. 60,000 in 1983 and 100,000-150,000 in a normal year). Nearby May moved to limit-down and fell a further £5.00 before lifting off the low on final trades, reports Coley and Harper.

Month	Latest close	Previous close	Business done
	£ per tonne		
May	101.90	180.00	173.00-160.00
Nov	89.00	87.50	94.00-88.50
Feb	97.50	106.00	
Apr	119.90	121.00	125.00-119.00
May	133.00	144.00	135.00-135.00

Sales: 1,531 (1,129) lots of 40 tonnes.

Earlies—July 106.50, -0.50, 106.00; August 83.00, -4.50; Sept 81.00, +1.00. Sales: 2 lots of 10 tonnes.

GAS OIL FUTURES

Month	Latest Close	+ or —	Business Done
	$ US per tonne		
May	125.00	-6.25	134.50-125.50
June	126.25	-5.00	133.50-127.50
July	129.25	-4.50	131.50-127.50
Aug	127.75	-5.25	131.50-128.50
Sept	127.00	-6.00	131.00-128.50
Oct	126.25	-5.25	129.50-127.50
Nov	128.75	-5.25	131.50-127.50

Turnover: 4,489 (5,231) lots of 100 tonnes.

FREIGHT FUTURES

Most positions on the dry cargo futures were little changed with the exception of October, 1986 and April 1987 which came under pressure. Although no grain news was available easier coal trades were noted. Tanker futures steadied but no news was available from a stable physical market, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	663/665.5	655/649	664/667
July	633/634	632/639	631/633
Oct.	710/712	720/706	723/735
Jan.	725/751	750/725	738/735
April	776/780	775	785/790
July	710/721	—	710/710
Oct.	790/830	—	795/799
Jan.	785/848	—	799/830
BFI	659.0		664.0

Turnover: 173 (155).

	Close	High/Low	Prev.
Tankers			
Apr.	910/920	910/895	885/909
May	860/880	860/855	820/850
June	846/870		840/875
BTI	920.5		210.5

Turnover: 50 (39).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar confined to narrow range

The dollar was slightly firmer in very thin trading yesterday. Volume was restricted by the closure of Tokyo and further holidays in Europe over the next week. There was also a reluctance in open fresh positions ahead of this weekend's economic summit in Tokyo.

Monday's action by the West German central bank to buy a small amount of dollars served its psychological purpose in deterring further selling of the dollar although there appeared to be little prospect of any concerted outcome from the meeting with a view to supporting the dollar. Japanese and West German central banks appear to want some period of consolidation in order to allow the recent sharp fall in the dollar to percolate through. However the US administration has so far given little guidance since President Reagan's statement stressing that the yen's rise so far was legitimate.

While the effects of a lower dollar may ultimately help reduce the US trade deficit, there were growing fears that external support for the US domestic budget funding programme would decline as exchange losses increased. This could lead to a large withdrawal of US funds, precipitating another dollar slide. At the end of the day however US interest rates retain a decisive edge over Japanese and West German rates.

News of a 0.5 per cent rise in US leading economic indicators was much in line with expectations and had little effect on trading.

The dollar closed at DM 2.1755 up from DM 2.1640 and Y167.8 compared with Y167.15. Elsewhere it rose to SFr 1.8195 from SFr 1.8080 and FFr 6.9325 from FFr 6.8975. On Bank of England figures, its exchange rate index rose from 113.2 to 113.4.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. March average 1.4681. Exchange rate index 76.6 up from an opening level of 76.4 and Monday's close and compared with 80.8 six months ago.

Sterling was slightly firmer overall, easing against the dollar but showing a small improvement against its major European partners. There were no new factors to influence trading. Against the dollar it eased to $1.5525 from $1.5555 but rose against the D-mark to DM 3.3775 from DM 3.3650. It was also higher against the yen at Y260.50 from Y260.0 and SFr 2.8250 from SFr 2.8125. Against the French franc it finished at FFr 10.7625 from FFr 10.73.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. Exchange rate index 136.1 against 128.1 six months ago.

Trading was confined to a narrow range in Frankfurt yesterday with the D-mark showing very little change against the dollar. Monday's intervention by the Bundesbank effectively precluded any further downward pressure on the dollar for the time being, at least until after this week's official holidays and the weekend meeting of leading nations in Tokyo. Consequently trading was confined to position squaring amid a reluctance to open fresh positions.

The dollar closed at DM 2.1695, down from a fixing level of DM 2.1724 and an opening quotation of DM 2.1770 but little changed from Monday's close of DM 2.1700. Trading was extremely quiet yesterday and there was no sign of any renewed activity by the Bundesbank.

£ IN NEW YORK

April 29	Close	Prev. close
£ Spot	$1.5525-1.5535	$1.5575-1.5585
1 month	0.51-0.48pm	0.50-0.48pm
3 months	1.33-1.28pm	1.32-1.30pm
12 months	3.72-3.57pm	3.72-3.55pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

April 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5455-1.5595	1.5520-1.5530	0.54-0.51c pm	4.06	1.32-1.28pm	3.36
Canada	2.1357-2.1470	2.1400-2.1420	0.41-0.30c pm	1.99	0.66-0.51pm	1.09
Nethlnd.	3.78¾-3.81½	3.80½-3.81½	1⅜-1¼c pm	5.12	4½-4⅜pm	4.85
Belgium	68.48-68.80	68.65-68.75	14-5c pm	2.01	38-30pm	1.98
Denmark	12.43¼-12.51½	12.50½-12.51½	5-3⅞ore pm	4.28	11-9⅞pm	3.32
Ireland	1.1050-1.1080	1.1068-1.1078	par-0.10p dis	−0.54	par-0.20dis	−0.36
W. Ger.	3.35¾-3.38¾	3.37¼-3.38¼	1⅞-1¾pf pm	6.22	4⅞-4¾pm	6.63
Portugal	216½-227	221-223	136-375c dis	−13.78	425-1115dis	−13.87
Spain	214.15-215.26	214.85-215.25	15-60c dis	−2.09	75-190dis	−2.46
Italy	2303¾-2322	2311-2312	2-7 lire dis	−2.34	10-17dis	−2.34
Norway	10.67½-10.74½	10.73½-10.74½	2½-3ore dis	−3.07	8½-9dis	−3.26
France	10.69-10.76¾	10.75½-10.76¾	2-2⅝c pm	3.14	7⅞-7⅜pm	2.79
Sweden	10.84-10.89½	10.87½-10.88¾	⅛-⅜ore dis	−0.48	⅞-1⅞dis	−0.51
Japan	259-261	260-261	1.41-1.27y pm	6.17	3.62-3.47pm	5.44
Austria	23.61-23.71	23.67-23.71	13-11¾gro pm	6.24	32⅞-29pm	5.20
Switz.	2.80¾-2.83	2.82-2.83	1⅜-1¼c pm	5.90	4⅝-4⅜pm	6.28

Belgian rate is for convertible franc. Financial franc 68.05-68.15. Six-month forward dollar 2.25-2.20c pm. 12-month 3.72-3.62c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5455-1.5585	1.5520-1.5530	0.54-0.51c pm	4.06	1.32-1.28pm	3.35
Ireland†	1.3865-1.4045	1.3980-1.4000	0.60-0.50c pm	4.71	1.25-1.00pm	3.21
Canada	1.3730-1.3820	1.3790-1.3800	0.22-0.26c dis	−2.09	0.76-0.81dis	−2.28
Nethlnd.	2.4400-2.4585	2.4530-2.4540	0.28-0.25c pm	1.30	0.92-0.89pm	1.48
Belgium	44.20-44.42	44.20-44.30	6-8c dis	−1.90	14-18dis	−1.44
Denmark	8.02½-8.06½	8.05½-8.06	⅞ore pm-⅛ dis	−0.19	⅛pm-⅛dis	—
W. Ger.	2.1650-2.1780	2.1750-2.1760	0.43-0.40pf pm	2.29	1.27-1.22pm	2.29
Portugal	145-146	145-145½	140-290c dis	−17.72	400-840dis	−17.04
Spain	138.05-138.75	138.55-138.65	60-70c dis	−5.63	175-195dis	−5.34
Italy	1487-1496½	1488½-1489½	6½-8 lire dis	−5.83	23-24½dis	−6.37
Norway	6.88¾-6.93	6.91½-6.92	4-4½ore dis	−7.16	11⅞-12⅞dis	−6.95
France	6.88¾-6.94¾	6.93-6.93½	0.45-0.55c dis	−0.87	1.20-1.40dis	−0.75
Sweden	5.99¾-7.03	7.00¾-7.01¼	2½-2¾ore dis	−4.49	6½-7⅛dis	−3.95
Japan	167.00-167.90	167.75-167.85	0.31-0.28y pm	2.11	0.91-0.87pm	2.12
Austria	15.23½-15.31½	15.28-15.29	3-2gro pm	1.98	8-6pm	1.83
Switz.	1.8080-1.8225	1.8190-1.8200	0.45-0.40c pm	2.80	1.27-1.22pm	2.74

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 44.45-44.55

EXCHANGE CROSS RATES

Apr. 29	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.553	3.378	260.6	10.76	2.825	3.810	2312.	2.141	68.70
$	0.644	1.	2.176	167.8	6.932	1.820	2.454	1489.	1.379	44.25
DM	0.296	0.460	1.	77.13	3.187	0.836	1.128	684.4	0.634	20.34
YEN	3.839	5.960	12.97	1000.	41.31	10.84	14.63	8873.	8.216	263.7
F Fr.	0.929	1.443	3.138	242.0	10.	2.625	3.540	2148.	1.989	63.83
S Fr.	0.354	0.550	1.196	92.21	3.810	1.	1.349	818.2	0.758	24.32
H FL	0.262	0.407	0.886	68.37	2.825	0.741	1.	606.7	0.562	18.03
Lira	0.433	0.672	1.461	112.7	4.656	1.222	1.648	1000.	0.926	29.72
C $	0.467	0.725	1.578	121.7	5.027	1.319	1.780	1080.	1.	32.09
B Fr.	1.456	2.260	4.916	379.3	15.67	4.112	5.546	3365.	3.116	100.

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

April 29	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11-11¼	11-11⅛	11⅛-11⅜	10⅝-10⅞	9⅞-10	9⅞-9⅞
U.S. Dollar	6⅜-6⅜	6⅞-7	6⅜-6⅜	6¾-6⅞	6¾-6⅞	6⅜-6⅞
Can Dollar	7⅞-8⅛	8⅛-8⅝	8⅛-8⅝	8⅜-8⅝	8⅝-9	8⅝-9
D Guilder	6⅜-6⅛	6⅜-6⅜	5⅝-6⅛	5⅝-5⅞	5⅛-5⅛	5⅛-5⅛
Sw. Franc	54-66	2⅝-3	4⅛-4⅝	4⅛-4⅝	4-4⅛	3⅞-4⅛
Deutschmrk	5⅜-5⅝	4⅜-4⅞	4⅜-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
Fr. Franc	7⅛-8	7⅛-7⅜	7⅛-7⅝	7⅜-7⅞	7⅜-7⅞	7⅜-7⅞
Italian Lire	10-12	12-16⅛	11⅝-12⅝	11¾-12⅛	11⅞-12⅜	12¼-12¾
B.Fr.(Fin)	0⅛-5¾	9¼-9½	8⅝-8⅞	8⅜-8⅝	7¾-0	7⅜-7⅝
B.Fr.(Con)	0⅛-10	9⅛-10	8¾-0¼	8-8⅛	7⅛-0	7⅜-7⅞
Yen	0⅛-5⅝	5⅝-5⅛	4⅛-5	4⅛-4⅜	4⅜-4⅜	4⅜-4⅜
D. Krone	7⅜-8¼	8 8⅛	7⅛-8	7¼-7⅜	7⅜-7⅜	7⅜-7⅜
Asian $ (Sng)	6⅜-7⅛	6⅜-7⅛	0⅞-7	6⅜-6⅜	6⅜-6⅜	6⅜-6⅜

Long-term Eurodollars: two year 7⅛-7½ per cent; three years 7½-7⅜ per cent; four years 7⅞-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

April 29	Bank of England Index	Morgan Guaranty Change %
Sterling	76.6	−14.0
U.S. dollar	113.4	−4.0
Canadian dollar	78.0	−11.0
Austrian schilling	126.9	+7.2
Belgian franc	96.0	−7.0
Danish Krone	86.3	−1.2
Deutsche mark	136.1	+16.0
Swiss franc	168.4	+16.7
Guilder	126.6	+0.8
French franc	69.7	−13.1
Lira	46.6	−17.1
Yen	202.2	+46.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

April 29	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.761800	0.686654
US $	6½	1.17910	0.986056
Canadian $	0.27	*	1.36496
Austria Sch	4	18.0145	16.2211
Belgian Fr.	9¾	52.2735	43.8463
Danish Kr.	7	9.48584	7.95862
D'mark	3½	2.56107	2.14900
Guilder	4½	2.88961	2.42324
French Fr.	9½	0.16589	6.84851
Lira	16	N/A	1475.77
Yen	3½	N/A	166.947
Norway Kr.	8	8.14467	6.83586
Span'h Pta.	—	163.188	166.970
Swedish Kr	8	8.27084	6.95663
Swiss Fr.	4	2.14377	1.79822
Greek Drch	20½	151.408	155.016
Irish Punt	—	0.842579	0.706649

*C$/SDR rate for April 28: 1.62553

OTHER CURRENCIES

April 29	£	$
Arg'tina	1.3047-1.3072	0.8400-0.8410
Aus'alia	2.0965-2.1005	1.3600-1.3610
Brazil	21.38-21.62	13.77-13.84
Finland	7.6550-7.6725	4.0650-4.0380
Greece	210.05-214.00	135.71-138.51
H'kong	12.0880-12.1000	7.7070-7.7900
Iran	120.60*	78.20*
Kuwait	0.4450-0.4460	0.2869-0.2880
Lux'burg	68.65-68.75	44.20-44.30
Malaysia	3.9900-4.0000	2.5700-2.5800
N'Z'land	2.6535-2.6610	1.7090-1.7130
Saudi Ar.	5.6660-5.6745	3.6495-3.6500
Sin'pore	3.4000-3.4100	2.1860-2.1910
S Af. (Cm)	3.1905-3.1075	2.0525-2.0570
S.Af. (Fn)	4.8980-4.9800	3.1550-3.2070
U.A.E.	5.7085-5.7185	3.6720-3.6730

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6781	43.8453	+0.38	+0.48	±1.5388
Danish Krone	7.91896	7.95862	+0.50	+0.59	±1.6408
German D-mark	2.13834	2.14900	+0.50	+0.50	±1.1202
French Franc	5.96280	5.84851	−1.84	−1.55	±1.3701
Dutch Guilder	2.40835	2.42324	+0.58	+0.67	±1.5081
Irish Punt	0.712858	0.706649	−0.88	−0.79	±1.6669
Italian Lira	1496.21	1475.77	−1.37	−1.37	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Focus on weaker $

Attention focused on the weaker dollar, in fairly quiet trading on the London International Financial Futures Exchange yesterday. June US Treasury bonds opened firm at 100-00, continuing the overnight trend in Chicago. The contract touched a high of 100-26, but fell back on late profit taking, to finish in the middle of the day's range, at 100-12, compared with 99-09 previously. There was little reaction to a rise of 0.5 per cent in the March US index of leading indicators, which was in line with market expectations. Dealers commented that the upward revision to 0.9 per cent from 0.7 per cent in the February figure, may have been regarded as bearish, but had no impact.

The weaker dollar has tended to quieten the market, as it has led to suggestions the Federal Reserve will not consider further cuts in interest rates, while the slide of the currency continues.

Long term gilt futures ended firmer.

Although futures trading was fairly quiet, total open interest on all contracts traded on Liffe passed the 100,000 mark, representing £20bn of business hedged.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	11.04	11.63	—	—	0.00	0.43	—	—
118	9.05	10.20	—	—	0.01	1.00	—	—
120	7.08	8.48	—	—	0.04	1.29	—	—
122	5.17	7.21	—	—	0.13	2.01	—	—
124	3.38	6.03	—	—	0.35	2.47	—	—
126	2.15	4.58	—	—	1.11	3.38	—	—
128	1.15	3.68	—	—	2.11	4.38	—	—
130	0.38	3.04	—	—	3.34	5.48	—	—

Estimated volume total: Calls 746, Puts 123
Previous day's open interest: Calls 6,484, Puts 3,285

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	8.28	5.35	—	—	0.02	0.61	—	—
94	6.31	7.02	—	—	0.07	1.28	—	—
96	4.44	5.43	—	—	0.20	2.05	—	—
98	3.08	4.30	—	—	0.48	2.56	—	—
100	1.57	3.29	—	—	1.33	3.55	—	—
102	1.02	2.39	—	—	2.42	5.01	—	—
104	0.32	1.80	—	—	4.06	6.22	—	—
106	0.12	1.28	—	—	5.53	7.52	—	—

Estimated volume total: Calls 212, Puts 52
Previous day's open interest: Calls 1,799, Puts 1,202

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	35.33	—	—	—	0.00	—	—
1.25	—	30.33	—	30.33	—	0.00	—	0.07
1.30	25.23	25.33	—	25.33	0.00	0.00	—	0.21
1.35	20.33	20.33	20.33	20.23	0.00	0.02	0.11	0.54
1.40	18.23	15.33	15.33	15.33	0.00	0.11	0.40	1.20
1.45	10.33	10.33	10.35	10.88	0.05	0.48	1.09	2.35
1.50	0.50	6.12	6.74	7.84	0.45	1.52	2.47	4.11

Estimated volume total: Calls 100, Puts 415
Previous day's open interest: Calls 6,336, Puts 5,828

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	35.10	—	—	—	0.05	—	—
1.25	—	30.10	—	30.10	—	0.10	—	0.20
1.30	—	25.10	—	25.10	—	0.15	—	0.30
1.35	20.10	20.10	—	20.10	0.05	0.20	—	0.70
1.40	15.10	16.16	15.20	15.10	0.15	0.20	0.50	1.40
1.45	10.10	10.10	0.30	10.90	0.30	0.70	1.30	2.80
1.50	0.40	5.00	6.60	7.80	0.70	1.75	2.70	4.40

Previous day's open interest: Calls 5,266, Puts 3,287
Volume: 223

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.20	—	34.70	—	34.70	—	—	—	0.05
1.25	—	29.70	—	29.70	—	—	—	0.16
1.30	24.70	24.70	—	24.70	—	—	—	0.20
1.35	19.70	19.70	19.70	19.70	—	0.05	0.15	0.50
1.40	14.70	14.70	14.70	15.70	—	0.15	0.40	1.10
1.45	9.70	8.90	9.70	10.30	0.05	0.45	1.00	—
1.50	5.00	5.85	5.45	7.25	0.40	1.40	3.20	2.75

Previous day's open interest: Calls 2,625, Puts 847
Previous day's volume: Calls 48,915, Puts 40,582

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
90.00	3.25	—	—	—	0.00	—	—	—
90.50	2.75	2.76	—	—	0.00	0.00	—	—
91.00	2.25	2.26	—	—	0.00	0.00	—	—
91.50	1.75	1.77	1.73	—	0.00	0.01	0.07	—
92.00	1.25	1.30	1.29	—	0.00	0.04	0.13	—
92.50	0.77	0.87	0.89	—	0.02	0.11	0.23	—
93.00	0.35	0.50	0.56	—	0.10	0.24	0.40	—

Previous day's open interest: Calls 3,061, Puts 2,524
Volume: 238

CHICAGO

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	100-10	100-27	100-02	99-21
Sept	99-17	100-02	99-16	98-28
Dec	98-24	99-09	98-17	98-02
March	97-30	98-10	97-28	97-09
June	97-08	97-15	07-05	96-17
Sept	96-22	96-27	96-20	95-28
Dec	96-00	96-06	96-00	95-09
March	—	—	—	94-24
June	—	—	—	94-08
Sept	—	—	—	—
Dec	—	—	—	93-17

US TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	94.13	94.20	94.12	94.14
Sept	94.25	94.31	94.25	94.23
Dec	94.17	94.23	94.17	94.15
March	93.98	94.04	93.89	93.97
June	93.77	93.83	93.77	93.75
Sept	93.54	93.61	93.54	93.52
Dec	93.36	93.42	93.36	93.34
March	93.19	—	93.18	93.17

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	93.58	93.58	—	93.52
Sept	93.58	93.58	—	93.52
Dec	93.46	93.46	—	93.04
March	—	—	—	93.78

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	93.21	93.30	93.21	93.22
Sept	93.21	93.30	93.21	93.22
Dec	93.11	93.19	93.11	93.10
March	92.88	92.97	92.88	92.68
June	92.65	92.75	92.64	92.64
Sept	—	92.52	92.39	92.41
Dec	92.19	92.30	92.19	92.20
March	91.98	92.16	91.98	92.00

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	93.25	93.29	93.25	93.19
Sept	93.28	93.31	93.25	93.19
Dec	93.16	93.20	93.15	93.07
March	92.94	92.99	92.94	92.85
June	92.72	92.75	92.73	92.63
Sept	92.51	—	—	92.42
Dec	92.32	—	—	92.23

Est. Volume 3,644 (4,788)
Previous day's open int. 20,438 (20,378)

10% NOTIONAL SHORT GILT £100,000
64ths of 100%

	Close	High	Low	Prev
June	103-22	103-24	103-19	103-09
Sept	103-42	—	—	103-29

Est. Volume 213 (251)
Previous day's open int.: 1,236 (1,194)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	166.85	166.95	165.10	164.25
Sept	169.10	—	—	166.35
Dec	171.60	—	—	168.65

Est. Volume 564 (215)
Previous day's open int: 1,772 (1,807)

20-YEAR 12% NOTIONAL GILT £50,000
32nds of 100%

	Close	High	Low	Prev
June	127-02	127-10	126-27	126-17
Sept	127-10	127-15	127-15	126-25
Dec	127-09	—	—	126-24
March	127-05	—	—	126-20

Est. Volume 9,497 (9,127)
Previous day's open int. 14,410 (13,574)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds)

THREE-MONTH STERLING £500,000
points of 100%

	Close	High	Low	Prev
June	90.38	90.42	90.35	90.34
Sept	91.13	91.15	91.07	91.07
Dec	91.30	91.34	91.29	91.27
March	91.28	91.32	91.27	91.28
June	91.14	91.18	91.12	91.15

Est. Volume 2,548 (3,517)
Previous day's open int: 19,061 (19,180)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
June	100-12	100-26	99-29	99-09
Sept	99-19	98-28	99-08	98-16
Dec	98-28	98-17	98-17	97-23

Est. Volume 6,311 (5,285)
Previous day's open int: 7,866 (7,872)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5525	1.5473	1.5395	1.5303	1.5158

IMM—STERLING $e per £

	Latest	High	Low	Prev
June	1.5420	1.5490	1.5396	1.5490
Sept	1.5340	1.5380	1.5290	1.5385
Dec	1.5280	1.5280	1.5285	1.5285

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5460	1.5448	1.5396	1.5445
Sept	1.5363	—	—	1.5340
Dec	1.5273	—	—	1.5255

Est. Volume 175 (396)
Previous day's open int: 1,878 (1,738)

STERLING INDEX

	April 29	Previous
8.30 am	76.4	76.0
9.00 am	76.5	75.9
10.00 am	76.4	76.1
11.00 am	76.4	76.3
Noon	76.4	76.2
1.00 pm	76.4	76.2
2.00 pm	76.4	76.2
3.00 pm	76.4	76.2
4.00 pm	76.6	76.4

MONEY MARKETS

London quiet and steady

Trading was very quiet on the London money market yesterday. Three-month interbank closed unchanged at 10½-10⅜ per cent, as expectations of a cut in clearing bank base rates slipped further into the background. The Bank of England was successful last week in signalling to the market that there should not be another early cut in base rates, and interbank rates have since moved up into line with base rates of 10½ per cent. Dealers commented that the market is nervous ahead of next week's UK money supply figures, which are not expected to be encouraging, and is also waiting to see whether any fresh initiative results from next week's Tokyo summit meeting.

The Bank of England initially forecast a money market shortage of £1,000m, but changed this to £1,100m in the afternoon. Total help of £1,047m was provided.

The authorities offered an early round of assistance, and at that time bought £84m bills outright, by way of £31m bank bills in band 1 at 10⅞ per cent; £22m bank bills in band 2 at 10⅞ per cent; £20m bank bills in band 3 at 10⅜ per cent; and £11m bank bills in band 4 at 10⅜ per cent.

Another £313m bills were purchased outright before lunch, through £14m bank bills in band 1 at 10⅞ per cent; £280m bank bills in band 2 at 10⅞ per cent; £4 local authority bills in band 3 at 10⅜ per cent; £3m bank bills in band 3 at 10⅜ per cent; and £10m bank bills in band 4 at 10⅜ per cent.

In the afternoon the Bank of England bought £540m bills outright, by way of £3m Treasury bills in band 2 at 10⅞ per cent; £310m bank bills in band 2 at 10⅞ per cent; £202m bank bills in band 3 at 10⅜ per cent; and £25m bank bills in band 4 at 10⅜ per cent.

Late assistance of around £110m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £396m, with the unwinding of bill repurchase agreements absorbing £801m. These outweighed Exchequer transactions adding £135m to liquidity, and a fall in the note circulation of £45m.

UK clearing banks base lending rate 10½ per cent since April 21

NEW YORK RATES
(Lunchtime)

Prime rate	8½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills & Bonds

One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

MONEY RATES

April 29	Over night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING
(11.00 a.m. April 29)

Three months US dollars		Six months US dollars	
bid 6⅞	offer 6⅞	bid 6⅞	offer 6⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

April 29	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 10⅛ per cent; three-months 9⅞ per cent. Bank Bills (sell): one-month 10⅝ per cent; three-months [illegible] per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive): 11.677 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1, 1986. Bank Deposit Rate for sums at seven days' notice [illegible] per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month 10⅛ per cent; one-three months 10⅛ per cent; three-six months 10 per cent; six-nine months 9⅞ per cent; nine-12 months 9⅞ per cent. Under £100,000 9⅞ per cent from April 29. Deposits held under Series 5 9⅞ per cent. Deposits withdrawn for cash 6 per cent.

Company Notices

GOVERNMENT OF NEW ZEALAND
7.25% 1972-1987 FF 75,000,000

[illegible]

STANDARD CHARTERED OFFSHORE MONEY MARKET FUND LIMITED

[illegible]

CHEMICAL NEW YORK CORP.
US$300,000,000 Floating Rate Senior Notes due 1999

[illegible]

USD 300,000,000
CAISSE NATIONALE DES TELECOMMUNICATIONS
FLOATING RATE NOTES DUE 2000

[illegible]

BANQUE NATIONALE DE PARIS

Legal Notices

CEDENT LIMITED
(In voluntary liquidation)

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required, on or before the 14th day of May 1986, to send their names and addresses, with particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Simon Winslow Chandler of Borough House, Rue Du Pré, St. Peter Port, Guernsey, the Liquidator of the said Company; and, if so required by notice in writing by the said Liquidator, are, by their Solicitors or personally, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 18th day of April 1986.
S. W. CHANDLER,
Liquidator.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	99	Treas 12pc 1986	100		11.98	10.46
99	98	Treas 8pc 1984-86	99		8.55	10.41
102	100	Exch 14pc 1986	102		13.72	9.75
98	96	Exch 2pc 1986	97	+	2.56	6.55
102	100	Exch 13pc 1987	102		12.90	9.29
100	97	Treas 10pc Cv 87	100	+	10.18	9.25
96	92	Exch 2pc 1987	96	+	2.59	6.77
101	97	Exch 10pc 1987	101	+	10.38	4.19
99	93	Funding 6pc '85-87	98xd		6.62	8.35
101	96	Treas 10pc 1987	100	+	9.95	9.31
95	90	Treas 3pc 1987	95	+	11.52	6.98
104	99	Treas 12pc 1987	104	+	11.04	8.95
99	92	Treas 7pc 1985-88	99	+	7.85	8.43
104	96	Exch 10pc '89	103	+	10.17	8.72
102	95	Treas 9pc Cv '88	101	+	9.59	8.81
92	86	Transport 3pc '78-88	92	+	3.24	6.71
102	93	Treas 9pc 88	101	+	9.35	8.73
107	96	Treas 11pc 1989	106	+	10.76	8.70
103	93	Treas 9pc Cnv. 89	102	+	9.27	8.53
90	82	Treas 3pc 1989	90xd	+	3.31	6.49
105	95	Treas 10pc 1989	104	+	10.02	8.72
104	94	Exch 10pc 1989	103	+	9.66	8.75
107	97	Exch 11pc 1989	106	+	10.37	8.67
92	84	Treas 5pc 1986-89	92	+	5.38	7.43
110	96	Exch 10pc Cv '89	109	+	9.40	7.29
114	103	Treas 13pc 1990	113	−	11.44	8.58
108	97	Exch 11pc 1990	107	+	10.21	8.56
113	101	Exch 12pc 1990	112	+	11.10	8.62
87	79	Treas 3pc 1990	87xd	+	3.42	6.59
100	89	Treas 8pc 1987-90	99	+	8.27	8.33
105	93	Treas 10pc Cv 1990	104	+	9.53	8.63
83	76	Exch 2pc 1990	83xd	+	3.00	6.06
112	99	Treas 11pc 1991	111	+	10.55	8.67
94	83	Funding 5pc '87-91	93	+	6.12	7.23

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
195	136	Ayer Hitam SM1	140	+5	v0155c	1.5	28.6
72	33	Geevor	40	−7	‡12.0	1.9	‡
83	40	Gopeng Berhad M$0.50	40		g$0.16	♦	13.9
650	650	Hongkong	650xd		—	—	—
21	17½	Jantar 12½p	21		2.5	♦	16.8
28	15	Malaysia Mng. 10c	15		tv06c	2.4	‡
17	17	Pahang	17x		8—	—	—
225	150	Penalaien 10p	200		—	—	—
130	90	Petaling SM1	105		v060c	0.2	14.8
130	95	Sungei Besi SM1	118		tv043c	—	‡
150	105	Tanjong 15p	120		—	—	—
140	75	Tronoh SM1	80		v045c	♦	15.2

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
30	30	Anglo-Dominion	30		—	—	—
42	25	Anglo Utd Dev.	32	−1	d1.05	♦	4.7
80	48	Colby Res Corp.	48		—	—	—
300	200	Cons. Murch. 10c	210		ta080xd	3.9	‡
34	28	Ennex Int. I£0.10	28		—	—	—
101	70	Greenwich Res.	88	−2	—	—	—
143	93	Hampton Areas 10p	112	−3	3.75	0.9	4.5
245	165	Highwood Res.	225	+11	—	—	—
£19¼	£14⅛	Homestake Mining $1	£14½	−⅛	Q20c	—	0.9
310	180	McFinley Red Lake	195	+10	—	—	—
285	210	Mustö Explorations	212	−3	—	—	—
51	40	New Sabina Res C$1	44		—	—	—
260	210	Northgate C$1	215		—	—	—
790	513	RTZ	693	−7	22.0	2.8	4.6
£164	£115	Do 9½pcLn '95-2000	£145½	+½	Q9½%	15.5	f6.7
950	800	Tara Expln $1	875		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✝ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast or estimated annualised dividend rate; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference Dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	122	+6	Fin 13% 97/02	£126¾	+⅛
Craig & Rose £1	£13		Arnott	130	
Finlay Pkg 5p	46		CPI Hldgs.	60	
Holt (Jos) 25p	780		Carroll Ind.	190	
IoM Stm. £1	90		Dublin Gas	53	
IRISH			Hall (R & H)	67	
Fund 11½% 1988	£104¼		Heiton Hldgs	29	
Exl 9¾% 84/89	£102¾		Irish Ropes	87	
			Unidare	197	

"Recent Issues" and "Rights" Page 38
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Apr 14	Apr 24	Apr 25	May 6
Apr 28	May 8	May 9	May 19
May 12	May 29	May 30	June 9

* "New-time" dealings may take place from 8.30 am two business days earlier.

Confidence returns and equities pull away from recent low levels

Leading stocks pulled away sharply from their recent low levels in London yesterday. The FT Ordinary share index regained 25.9 of last week's fall of 45.2 to close at 1,381.2 as investment confidence was reinforced initially by exchange rate influences and later by an encouraging CBI survey on UK industrial trends in April.

Wall Street's rise overnight ensured a firm opening tone and within minutes the Electrical sector was responding in lively fashion to revived domestic institutional demand. GEC were strongly supported in the wake of a successful presentation to many City institutions on Monday evening by brokers de Zoete Bevan. Funds were switched from other leading issues but the resulting lines of stock were placed with little difficulty.

Interest soon broadened to other areas of the market and a host of blue chips began to move higher. International stocks were often excluded despite assumptions that the heavily-criticised ADR tax would be either altered or shelved. Inquiries from private clients improved but the most notable increase was in speculative activity. Many old favourites came to the fore and several newcomers were added to the list.

Favourable trading statements also contributed to the more optimistic mood. Blue Circle Industries went higher not so much on the annual profits, which were better than expected, but on relief over the absence of any call for fresh funds; recently there had been much talk of a rights issue accompanying the preliminary statement.

Gilt-edged securities followed Monday's late upturn in US bonds ahead of this week's Treasury auctions. Business in Gilts was light but in the absence of selling prices advanced. Conventional longs and index-linked issues recorded gains stretching to ⅜ with sentiment underpinned by the cuts in European discount and bank rates. Sterling's slight reaction from its recent high level against the dollar failed to hamper the market's progress.

Clearers higher

Clearing banks returned to favour. Lloyds, currently bidding 750p per share for Standard Chartered, rose 13 to 608p on the announcement that it had sold its Californian subsidiary to Golden State Sanwa Bank of Japan for £170m cash. NatWest, meanwhile, encouraged by the confident tenor of the chairman's AGM address, closed 20 better at 885p. Barclays put on 14 at 552p and Midland gained 13 to a new peak of 582p. Elsewhere, Standard Chartered moved up 10 to 828p on hopes of a counter to Lloyds unwelcome offer.

Composites led the way in Insurances. GRE stood out with a rise of 34 at 949p, while General Accident firmed 22 at 897p and Royals put on 12 at 932p. Perennial takeover favourite Commercial Union added 8 at 334p and Sun Alliance appreciated 8 at 753p.

Both newcomers to the market yesterday staged satisfactory debuts. E. Green, dealt in the Unlisted Securities market and placed at 120p, touched 129p before closing at 126p, while Ipeco moved up to 130p and closed at 126p, having been offered for sale at 120p.

Guinness, a dull market since the success of its bid for Distillers, attracted fresh institutional and professional demand and rallied 17 to 312p; Distillers' shares not assented to the offer advanced 27 to 675p in sympathy. Other leading Breweries made progress under the lead of Whitbread "A," finally 10 higher at 290p. Allied-Lyons, up to 317p in early trading on consideration of the proposed $400m one-year loan facility in Euromarkets, dipped to 303p before recovering to 310p, for a net decline of 5, as the High Court dismissed the application for judicial review from unwelcome suitors Elders IXL. Regionals also displayed some noteworthy features. Comment on the company's asset value lifted Young and Co's Brewery 30 for a two-day gain of 70 to 310p. Boddingtons revived with a rise of 8 to 126p, while Vaux, still surrounded by takeover speculation, put on 15 more to 460p.

Annual results at the top end of expectations from Blue Circle and good preliminary figures from Tarmac enlivened interest in the Building sector. Blue Circle were briskly traded up to 723p before settling 43 higher on the day at 716p, while Tarmac closed 8 dearer at 486p, after having touched 492p at one stage. Costain, scheduled to reveal annual figures today, were also supported and closed 16 higher at 532p. Taylor Woodrow stood out with a rise of 16 to 532p. Revived buying on assets injection hopes left Helical Bar 10 higher at 180p, after 185p; the preliminary statement is due tomorrow.

Etam dull late

ICI, assisted by hopes of a relaxation of the ADR proposals, improved 12 to 932p. Elsewhere in a firm Chemical sector, Amersham put on 15 to 370p.

Secondary Stores again provided a long list of features, most of which were attributable to revived speculative demand. Fine Art Developments, 143p, and Alexon, 138p, both displayed double-figure gains for this reason, while occasional demand was also evident for Ratners, 3 up at 158p, after 161p, and USM-quoted French Connection, 10 dearer at 215p, the latter reflecting recent Press comment. In contrast, John Menzies dipped 12 to 326p following a cautious Press on the preliminary figures, but Ward White, recommended by brokers de Zoete and Bevan, hardened 4 more to 316p. Etam provided a dull feature after-hours, falling 8 to 244p following bearish notices emanating from a broker's haunch.

Leading Stores closed a few pence firmer for choice. Burton rallied 10 to 314p, while Woolworth, currently the subject of a hostile bid from Dixons, finished 15 up at 855p. Sears attracted steady demand and rose 3 to 127p.

Leading Electricals figured prominently in the market's upsurge. GEC were outstanding for a gain of 14 to 208p following a presentation by stockbrokers de Zoete and Bevan. Plessey, reflecting hopes that GEC would soon get the green light from the Monopolies Commission to proceed with its bid for the company, advanced 8 at 246p, while speculative demand pushed Racal up 10 to 216p. British Telecom, recently depressed by Mercury Communications competition fears, rallied 4 to 242p following reports that the group plans to cut its prices by around 15 per cent for big customers. Elsewhere, Ferranti ended 6 better at 134p in the wake of a successful placing of over 5m shares in the company with various institutions at 130p per share. Cable and Wireless improved 8 at 565p and Oxford Instruments appreciated 9 at 552p. Farnell gained 8 to 210p in anticipation of today's annual figures, while improvements of around 8 were seen in CASE, 100p, Cambridge, 302p, International Signal and Control, 213p, and VG Instruments, 445p. UEI jumped 12 to 284p as investors began to show an increased interest ahead of the preliminary results scheduled for early next month.

Leading Engineers staged a noticeable revival with Vickers improving 15 to 473p and Hawker 10 to 609p. Many secondary issues were sustained by a further round of bid speculation. Glynwed were prominent at 398p, up 14, along with Adwest, which closed 15 higher at 258p. Simon Engineering advanced 8 to 283p and MS International 7 to 58p.

A generally buoyant Foods sector showed Tate and Lyle an exception and finally 5 easier on balance at 633p following Press comment suggesting that the group is poised to bid for S. & W. Berisford when Tate reveals its interim figures today. Expectations of Tate's half-year profits range from £35m to £39.5m pre-tax. Hillsdown Holdings, already offering nine-for-eleven share exchange terms for Berisford and the holder of 22.55m shares in the company edged up 2 to 322, while Ranks Hovis McDougall, where Berisford has a major interest, improved a similar amount to 220p.

Argyll advanced 11 to 348p in the wake of news that the Kuwait Investment Office owns 13.775m shares, or a 6.877 per cent stake in the company. Elsewhere, Tesco added 10 to 375p ahead of figures scheduled for May 28.

Hanson Trust good

Leading miscellaneous industrials took a distinct turn for the better. Hanson met with persistent demand and stood out with a gain of 13 at 180p, while Glaxo, helped by hopes that the Government would relent over the proposed ADR tax, improved 7 to 985p. Metal Box advanced 25 to 720p and Trafalgar House 7 to 302p. Pilkington, still responding to newspaper comment, advanced 12 further to 460p. Beecham fell 8 to 405p on fading bid hopes. Elsewhere, Johnson Matthey, reflecting the reorganisation proposals, put on 17 to 180p. Revived bid speculation left Pearson 15 to the good at 460p, while Dedfearn Glass improved 7 to 210p on the interim statement. British Aerospace, helped again by a broker's recommendation, put on 8 more to 558p, after 563p. Wedgwood closed 5 higher at 373p following rejection of the share exchange offer from London International. Williams Holdings gained 15 to 695p, while ADR hopes enlivened interest in Reuters, up 16 at 460p. Bid speculation left Wade Potteries 7 dearer at 150p and BBA improved 8 to 274p following the proposed acquisition of Repco Corporation.

Fairline Boats jumped 23 to 208p with the help of considerable speculative call option activity. Elsewhere in the Leisure sector, Select TV improved 2 afresh for a two-day advance of 4 at 19p on talk of an imminent bid or injection of assets. Barr and Wallace Arnold A cheapened 10 to 117p following nervous offerings ahead of today's preliminary results.

United Newspapers advanced 28 to 373p on reflection of the chairman's annual review.

Stock Conversion, currently in receipt of an unwelcome offer from P & O, advanced 17 to a new peak of 745p; P & O firmed 15 at 575p. Land Securities closed 6 dearer at 331p and [illegible] hardened 12 to 358p. Elsewhere in Properties, Rosehaugh revived with a jump of 45 to 605p; the shares are scheduled to go ex the £59m rights issue on May 12. Renewed speculative support lifted Sheraton Securities 3 to 43½p and York Mount 5 to 47p. Abaco, however, after an early flurry to 62p, reacted to close a penny easier on balance at 60p.

Preliminary profits from Tootal exceeded the company's forecast and the shares, a rising market recently, advanced 5½ more to 102p. The announcement stimulated fresh demand throughout the Textile sector with Courtaulds 7 better at 278p, after 280p, and Dawson International, 12 to the good at 244p. Parkland A, due to announce full-year results shortly, touched 144p before settling 11 higher on balance at 140p—a two-day improvement of 16. Revived speculative support lifted John Crowther 6 to 136p, and Don Brothers Buist 12 to 128p.

Renewed talk of an imminent bid from Quadrex of the US prompted a flurry of buying in Mercantile House which closed 17 dearer at 349p. Elsewhere in Financials, Yule Catto spurted 28 to 188p in response to the annual results and increased dividend.

Burmah advance

A generally firm oils sector provided an outstanding performer in Burmah which jumped 21 to 358p on buying said to have reflected a substantial re-rating of the company following the run-down of the group's oil interest and the expansion of its chemicals operations. Leading oils made further progress despite an easier trend in spot oil markets. BP added 5 more at 545p and Britoil rose a like amount to 170p. Royal Dutch reflected overnight US selling and dipped ¾ to £50¼ but Tricentrol picked up 3 more to 58p and Ultramar advanced 10 to 185p. Sharp falls in Norwegian issues amid the current political uncertainty in Norway unsettled Norsk Hydro which lost ⅜ to £11⅞.

The prospect of further expansion moves prompted revived support of Tozer Kemsley and Millbourn, another 16 up at 172p; Kenning, currently in receipt of a bid from TKM, touched 266p before closing a net 13 up at 263p. Elsewhere in Overseas Traders, Inchcape put on 7 for a two-day rise of 22 to 365p.

Mining markets continued to lose ground across the board. South African issues, especially, were bereft of interest and retreated throughout the session as persistent small selling followed the early decline in bullion. The Gold Mines index settled 5.9 to 247.8—its lowest level since the end of December and a four-day fall of 25.5.

Traded Options

Business in Traded Options recovered from the surprisingly low volume seen on Monday. Total contracts struck yesterday amounted to 19,882—15,025 calls and 4,857 puts.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr 21	May 2	July 24	Aug 4
May 6	May 16	Aug 7	Aug 18
May 19	June 6	Aug 28	Sept 8

For rate indications see end of Unit Trust Service

Money was given for the call of Stormgard, Bejam, John Brown and the A, Arthur Wood (Longport), Boots; Sycamore, Charterhall, Pilkington, Pentland Industries, Sears, Lasmo, Rock, Unigroup, Helical Bar, Cadbury Schweppes, Amstrad, Sutcliffe Speakman, Parkland Textile, Woodhouse and Rixson, Tilbury, Lonrho, Fairline Boats, Hunterprint, Martin Ford, Five Oaks Investments, Ashley Industrial Trust, Trusthouse Forte and Aitken Hume. Puts were taken out in Polly Peck, Fairline Boats and Helical Bar, while double options were transacted in Tozer Kemsley and Millbourn and Sycamore.

FINANCIAL TIMES STOCK INDICES

	Apr. 29	Apr. 28	April 25	Apr. 24	Apr. 23	Apr. 22	year ago
Government Secs	93.32	92.23	93.24	23.32	83.11	94.23	81.28
Fixed Interest	96.28	96.73	95.77	96.90	86.94	97.31	85.60
Ordinary ♥	1381.2	1363.3	1337.2	1348.0	1362.0	1389.2	871.4
Gold Mines	247.8	253.7	267.2	264.8	275.3	267.3	601.3
Ord. Div. Yield	3.89	3.95	5.95	3.28	3.25	3.86	4.52
Earnings, Yld. % (full)	9.62	9.72	2.83	8.85	8.79	2.50	11.78
P/E Ratio (net) (*)	12.74	12.52	19.47	12.32	12.02	19.77	10.54
Total bargains (Est.)	29,076	33,022	31,031	35,133	29,279	22,675	24,085
Equity turnover £m.	—	664.99	202.53	882.41	1031.70	722.51	376.15
Equity bargains	—	37,587	39,067	30,693	26,729	27,054	19,622
Shares traded (m)	—	353.4	340.8	346.0	387.9	276.7	179.2

♥ Opening 1369.5. 10 am 1377.4. 11 am 1383.8. Noon 1384.3. 1 pm 1385.7. 2 pm 1385.0. 3 pm 1386.6. 4 pm 1390.7. Day's High 1391.2. Day's Low 1368.6. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. Activity 1974.
Latest Index 01-246 8026.

* Nil = 12.28.

HIGHS AND LOWS / S.E. ACTIVITY

—	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	94.31 (18/4)	80.32 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	97.51 (22/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1425.2 (3/4)	1094.3 (14/1)	1425.2 (3/4/86)	49.4 (26/6/40)
Gold Mines	357.5 (27/1)	247.8 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)

Indices	Apr. 28	Apr. 25
Daily Gilt Edged Bargains	137.7	146.2
Equities Bargains	172.7	207.2
Equities Value	1148.0	1,534.4
5-day Average Gilt Edged Bargains	149.6	158.2
Equities Bargains	187.8	189.8
Equities Value	1529.3	1,647.2

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tue April 29 1986

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %
1	CAPITAL GOODS (214)	749.25	+2.2
2	Building Materials (26)	827.79	+1.7
3	Contracting, Construction (29)	1219.09	+1.3
4	Electricals (12)	2069.08	+1.3
5	Electronics (38)	1785.45	+4.4
6	Mechanical Engineering (63)	418.94	+1.0
8	Metals and Metal Forming (7)	359.72	+2.3
9	Motors (17)	208.17	+2.3
10	Other Industrial Materials (22)	1323.47	+1.3
21	CONSUMER GROUP (184)	931.26	+1.3
22	Brewers and Distillers (22)	908.01	+1.9
25	Food Manufacturing (22)	691.58	+0.8
26	Food Retailing (15)	1940.76	+1.7
27	Health and Household Products (10)	1534.47	+0.4
29	Leisure (25)	915.17	+1.4
31	Publishing & Printing (14)	2447.58	+3.2
32	Packaging and Paper (14)	468.83	+2.1
34	Stores (43)	921.41	+1.1
35	Textiles (17)	538.40	+2.4
36	Tobaccos (2)	1106.84	+1.8
41	OTHER GROUPS (85)	813.84	+2.1
42	Chemicals (19)	996.41	+1.3
44	Office Equipment (4)	237.26	+0.5
45	Shipping and Transport (12)	1653.04	+1.3
47	Telephone Networks (2)	944.93	+1.6
48	Miscellaneous (48)	1032.27	+1.7
49	INDUSTRIAL GROUP (483)	860.53	+1.8
51	Oil & Gas (17)	1140.75	+0.8
59	500 SHARE INDEX (500)	891.90	+1.7
61	FINANCIAL GROUP (116)	626.79	+1.5
62	Banks (7)	689.53	+2.2
65	Insurance (Life) (9)	860.63	+1.7
66	Insurance (Composite) (7)	524.66	+2.1
67	Insurance (Brokers) (8)	1066.02	-0.9
68	Merchant Banks (11)	367.02	+0.7
69	Property (50)	762.26	+0.8
70	Other Financial (24)	355.97	+0.8
71	Investment Trusts (103)	758.80	+0.6
81	Mining Finance (3)	381.21	+0.3
91	Overseas Traders (14)	681.34	+1.5
99	ALL-SHARE INDEX (736)	813.68	+1.6
	FT-SE 100 SHARE INDEX ♦	1656.3	+27.5

FIXED INTEREST

	PRICE INDICES	Tue Apr 29	Day's change %
	British Government		
1	5 years	124.76	+0.14
2	5-15 years	147.39	+0.41
3	Over 15 years	158.38	+0.58
4	Irredeemables	174.38	+0.98
5	All stocks	142.31	+0.36
	Index-Linked		
6	5 years	112.96	+0.22
7	Over 5 years	117.97	+0.48
8	All stocks	117.06	+0.44
9	Debentures & Loans	123.63	+0.12
10	Preference	86.56	+0.03

AVERAGE GROSS REDEMPTION YIELDS

♦Opening Index 1635.2; 10 am 1642.4; 11 am 1647.1; Noon 1648.0; 1 pm 1650.4; 2 pm 1649.8; 3 pm 1651.5; 3.30 pm 1655.8; 4 pm 1655.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Blue Circle	716	+43
Burmah Oil	358	+21
Commercial Union	334	+8
Distillers	675	+27
General Accident	897	+22
GEC	208	+14
Parkland Text. A	140	+11
Queens Moat Hses.	74	+5
Rosehaugh	605	+45
Tarmac	486	+8
Tozer Kemsley	172	+16
Utd. Newspapers	373	+28

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Inchcape	22	358	+15
Wedgwood	20	368	+25
Brit. Aerospace	17	550	+25
Cable & Wire.	16	565	+3
BP	16	540	+5
Europort	13	131	+12
Kenning Motor	13	260	+20
Polly Peck	12	177	+14
Tozer Kemsley	12	156	+13
BAT Inds.	13	368	-10
Wellcome	16	184	-7
Boots	14	289	+3
STC	13	165	+2

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 20,801

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (167)

BRITISH FUNDS (14), INT. BANK & O'SEAS GOVT. STLG. ISSUES (1), COMMONWEALTH & AFRICAN LOANS (2), BANKS (3), BREWERS (3), BUILDINGS (30), CHEMICALS (2), STORES (8), ELECTRICALS (17), ENGINEERING (20), FOODS (6), HOTELS (1), INDUSTRIALS (23), INSURANCE (3), LEISURE (3), MOTORS (5), NEWSPAPERS (2), PAPER (6), PROPERTY (14), SHIPPING (1), SHOES (2), TEXTILES (5), TRUSTS (16), OILS (2), OVERSEAS TRADERS (4), PLANTATIONS (1).

NEW LOWS (41)

AMERICANS (3) Tenneco 10pc Ln. 1991-96, CANADIANS (2) Gulf Canada, BUILDINGS (1) Ind. Amer. Corp., STORES (2) Gee (Cecil), Geller (A. J.), ELECTRICALS (1) Mitel Corp., ENGINEERING (1) Cummins 3¼pc Conv. 1978-84, INDUSTRIALS (3) Abbeydale Hldgs, CVS Inc., Robertson Research, SOUTH AFRICANS (1) Ol Bezeers, TRUSTS (2) Cons. Venture Trust, Viking Resources, OILS (8) Bryson Oil & Gas, Churchill Resources, Comand Petroleum, E.R.L.C., Lennard Oil, Mercantile Oil, New Court Natural Res., Pennine Resources, MINES (20).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	3	5
Corpns., Dom. & Foreign Bonds	20	11	40
Industrials	528	201	770
Financial & Props.	169	33	345
Oils	17	29	24
Plantations	1	—	12
Mines	16	78	35
Others	60	71	90
Totals	918	464	1,407

LONDON TRADED OPTIONS

April 29. Total contracts 19,882 Calls 15,025 Puts 4,857 *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

DENMARK

SWEDEN

HONG KONG

FRANCE

ITALY

SWITZERLAND

JAPAN

NETHERLANDS

AUSTRALIA

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Danish Kroner.

CANADA

TORONTO
Prices at 2.30pm
April 29

Total Sales 4,207,534 shares

MONTREAL
Closing prices April 28

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 37

Indices

NEW YORK-DOW JONES

	April 29	April 28	April 25	April 24	April 23	April 22	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	1,823.91*	1,843.75	1,835.57	1,831.72	1,829.61	1,839.98	1855.9 (21/4/86)	1502.29 (22/1/86)	1865.03 (17/4/86)	41.22 (2/7/32)
Transport	803.73*	815.25	818.87	811.46	813.79	815.63	838.84 (31/3/86)	686.97 (9/1/86)	838.84 (31/3/86)	12.32 (8/7/32)
Utilities	180.19*	185.58	188.70	188.85	187.63	188.94	769.47 (22/1/86)	769.47 (22/1/86)	193.73 (31/3/86)	10.5 (28/4/42)
Trading vol		124m		-	158m	182m	-	-	-	-

	April 25	April 18	April 11	Year Ago (Approx)
Ind Div Yield %	3.55	3.54	3.64	4.78

STANDARD AND POORS

	April 29	April 28	April 25	April 24	April 23	April 22	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	267.45*	271.07	269.07	269.44	268.76	268.98	271.58 (21/4/86)	224.88 (22/1)	271.68 (21/4/86)	3.62 (30/6/32)
Composite	239.58*	243.08	242.29	242.02	241.75	242.42	244.74 (21/4/86)	203.49 (22/1)	244.74 (21/4/86)	4.40 (1/6/32)

	April 23	April 16	April 9	Year Ago (Approx)
Ind div yield %	2.96		3.17	3.84
Ind. P/E Ratio	17.22		16.56	11.28
Long Gov Bond Yield		7.18	7.34	11.33

N.Y.S.E. ALL COMMON

April 29	April 28	April 25	April 24	1985 High	1985 Low
138.82*	139.82	139.52	139.46	141.87 (21/4/86)	117.75 (22/1)

RISES AND FALLS

	April 29	April 23	April 22
Issues traded	1,980	2,029	2,060
Rises	764	613	648
Falls	789	1,044	1,012
Unchanged	427	372	400

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Mobil	2,282,400	30¼	+ ⅛	AZP Group	1,406,600	30⅛	−1⅛
Ford Motor	2,088,300	79⅛xd	−1½	IBM	1,313,400	161⅛	+1⅛
Southern	2,050,900	23½	− ⅛	Archer Daniels	1,300,100	24⅞xd	+ ⅛
AT & T	1,829,600	25½	− ⅛	FMC	1,275,700	99	+3⅛
Amer Express	1,539,900	60⅝	−2⅛	OPL	1,223,100	23	− ⅛

TORONTO

	April 29	April 28	April 25	April 24	1985/86 High	1985/86 Low
Metals & Minls	2,161.1*	2,187.4	n/a	2,162.8	2,442.85 (21/3/86)	2,067.1 (2/1)
Composite	3,119.4*	3,126.4	3,125.80	3,125.1	3,129.11 (18/4/86)	2,754.9 (11/2)
MONTREAL Portfolio	1,605.94*	1,611.21	1,609.33	1,607.21	1,623[illegible] (16/4/86)	1,388.6 (22/1)

* Indicates pre-close figure

	Apr. 29	Apr. 28	Apr. 25	Apr. 24	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1209.1	1206.0	(c)	1218.4	1218.7 (18/4)	1016.0 (2/1)
Metals & Minls. (1/1/80)	520.7	529.2	(c)	530.3	602.8 (24/3)	492.5 (2/1)
AUSTRIA						
Credit BK Aktien (2/1/61)	128.85	129.10	120.08	129.15	130.69 (23/4)	110.12 (5/3)
BELGIAN						
Brussels SE (1/1/80)	5594.11	5616.10	5667.64	5780.16	5700.16 (24/4)	2766.01 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	241.61	(c)	246.40	260.70 (10/4)	214.57 (21/1)
FRANCE						
CAC General (31/12/82)	(u)	402.7	404.9	400.5	404.0 (25/4)	261.8 (2/1)
Ind Tendance (31/12/85)	147.5	150.1	152.0	151.2	152.0 (25/4)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	718.05	705.91	721.61	720.73	753.86 (17/4)	618.54 (27/2)
Commerzbank (1/12/53)	2175.7	2154.7	2193.2	2182.2	2278.8 (17/4)	1865.6 (27/2)
HONG KONG						
Hang Seng Bank (31/7/64)	1826.29	1848.65	1854.62	1824.51	1848.65 (28/4)	1559.94 (19/3)
ITALY						
Banca Comm Ital. (1972)	142.86	752.08	(c)	757.84	714.95 (21/4)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	(c)	15757.9	15680.88	15662.0	15859.7 (21/3)	12881.5 (21/1)
Tokyo SE New (4/1/68)	(c)	1248.11	1245.11	1245.01	1165.95 (31/3)	1025.85 (21/1)
NETHERLANDS						
ANP-CBS General (1970)	267.6	267.5	270.8	270.7	273.8 (17/4)	240.4 (3/3)
ANP-CBS Indust (1970)	254.4	254.9	256.1	256.1	259.7 (11/4)	234.0 (5/5)
NORWAY						
Oslo SE (4/1/83)	554.89	551.05	559.41	565.22	402.61 (16/1)	534.88 (29/4)
SINGAPORE						
Straits Times (30/12/66)	671.58	665.34	578.60	574.18	644.89 (6/1)	565.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1159.2	1115.2	1285.1	1307.8 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1068.1	1094.7	1088.4	1205.1 (20/3)	1069.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	179.82	177.05	175.02	170.92	179.82 (29/4)	100.83 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2267.35	2255.06	2502.85	2314.03	2372.96 (22/4)	1729.57 (29/1)
SWITZERLAND						
Swiss BankCpn (31/12/58)	587.4	590.5	586.4	501.2	625.5 (8/1)	554.7 (28/2)
WORLD						
M.S. Capital Intl. (1/1/70)	—	321.8	310.6	316.4	322.2 (21/4)	249.8 (25/1)

** Saturday April 26: Japan Nikkei 15,707.3. TSE 1,246 32.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Technical factors dominate Europe

Continued from Page 38

The selling pressure subsided in Brussels although the absence of many international and domestic buyers produced thin trading and a sharp enough retreat in the Belgian Stock Exchange index, which finished a further 21.43 down at 3,594.77 after Monday's 51-point fall.

Industrial leader and bourse bell wether Petrofina, however, turned in a steady performance with an unchanged close of BFr 7,320. UCB, which announced a 9 per cent rise in parent company profits late on Monday, lost BF 30 to BFr 6,920.

Madrid hit another record with a 2.79 point rise in the Bourse index to 179.82. Construction issues spareheaded the rally with Dragados picking up 40 percentage points to a record 428.50 per ceot of nominal value. Leading communications group Telefonica hit a new high for the year with a further 6-point gain to 208 per cent.

Profit-taking chipped away at Milan again as many operators were cootent to wind down activity before tomorrow's May Day holiday. The cuts in prime rates, more of which were announced after the close, had little impact on sentiment.

Blue chips were particularly vulnerable to the technical correction, and Fiat suffered an early L300 markdown but closed steady at L12,400. Montedison lost L99 to L4,270. Generale, which lost L1,500 on Mooday, shed a further L2,000 to L136,000.

Stockholm edged higher in moderate trading. Volvo, most active, reversed the inroads made by Monday's profit-takers and finished SKr 4 higher at SKr 393. Electrolux, also busy, rose SKr 2 to SKr 285. Fermenta added SKr 2 to SKr 177 on strong takeover speculation.

Both Aga and Asea firmed SKr 3 to SKr 201 and SKr 487 respectively while SCA picked up SKr 6 to SKr 226.

SKF added SKr 4 to SKr 335 after poor results while Pharmacia retreated SKr 2 to SKr 230.

Amsterdam was mixed ahead of today's bank holiday while Zurich was slightly firmer.

Prices at 3pm. April 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	10¾	AAR s	.44	2.0	21	303	22¼	22⅜	22⅜	−¼
29½	11½	AFG s			17	456	27⅜	26⅝	26⅝	−⅞
25⅝	12¼	AGS			17	69	23⅝	23⅛	23¼	−⅛
15	9⅞	AMCA				12	13⅛	13	13	−¼
60½	37½	ANR			12	3289	u60⅜	58½	59	−1
25¾	18⅝	ANR pf2.19		8.6		16	25½	25⅜	25⅜	
22½	19	ANR pf2.12		9.6		2	22	22	22	−⅛
12½	7⅜	APL			7	5	12	12	12	
16¾	10⅝	APX			14	173	16	15⅝	15¾	
53⅜	32¼	ASA	2a	5.4		398	37⅛	36½	37	+⅛
18⅝	10½	AVX		2.2		4076	14⅞	14⅜	14½	
32	22½	AZP	2.72	9.5	7	x1462	28½	28	28½	−1
91⅞	49½	AbtLab 1.68		1.9	22	1226	59⅝	87¼	88⅛	−1⅞
45⅞	24¼	AbtLb wi				12	44⅜	44¼	44¼	
31⅞	19⅝	AccoWd .50		1.7	21	87	29¼	29¼	29¼	
24¾	10	AcmeC .40		3.0	19	30	13½	13⅜	13⅜	−⅛
8¼	7	AcmeE .32b		3.9	20	44	8¼	8	8¼	
20	16⅜	AdaEx 1.90e		9.6		58	18⅞	19⅝	19¾	+⅛
29	14	AdmMl .40		1.5	12	162	28	26⅝	26⅝	−1⅛
20⅝	8⅞	AdvSyst .36t		7.5	17	104	19⅜	18	19¼	
32⅞	22⅛	AMD				4903	30½	29⅛	29⅝	−⅞
12⅝	8¼	Adobe n				47	8⅞	8⅝	8⅞	−⅛
18⅝	14⅝	Adob pf 1.84		11		5	16⅜	16¼	16¼	−¼
20¼	15¼	Adob pf 2.40		12		12	19⅝	19⅞	19⅝	
19½	9⅛	Advest .12a		.7	13	442	18¼	17⅜	17¼	+¼
65¼	41⅞	AetnLf 2.64		4.3	11	2020	62⅜	60½	61¼	−1⅛
57½	52⅛	AetL pf4.07e		9.2		8	54	54	54	
69¼	29	Ahmns 1.36		2.2	7	970	63¼	63	63¼	
4¼	2½	Aileen			78	100	4	3⅞	3⅞	−⅛
83⅜	47½	AirPrd 1.48		1.0	16	524	80½	79⅝	79⅝	−½
27¼	17½	AirbFrt .60		2.7	16	241	22½	22¼	22½	+½
1⅞	⅜	AlMoan 50c				37	½	7-16	15-32	
10¼	7¼	AlaP dpl.97		8.9		60	10	9⅞	9⅞	
100½	77½	AlaP pf 9		8.9		z250	101½	101½	101½	+1½

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	6¾	vjWhPit			71	11¾	11⅝	11¾	
29	17	vjWPit pfB			z30	23	23	23	
23	13¼	vjWhPitpl			z220	21	20	21	+1
76½	40½	Whirlpl 2	2.8	14	696	73⅛	71	71½	−1⅝
50	25⅛	WhitC .50j		23	25	47	46¾	46⅞	+½
50	39¼	WhitC pfC 3	8.1		1	48⅛	48⅛	48⅛	
34⅞	19⅝	Whitehl		11	91	28¾	27¼	27½	
27⅞	17¼	Whittak .60	2.4	24	825	26	25½	25½	−⅜
16	8	Wilfred .12	.9	19	10	14⅞	14¾	14¾	+⅛
19½	7⅞	WillcxG .10	.8	7	174	16¼	16¼	16¼	
33½	21⅝	William1.40	6.0	25	646	23½	23	23⅜	+⅛
12¾	5	WilmE		45	75	10⅛	9⅞	9⅞	−⅛
7⅞	4	WilshrO10b	2.1	20	8	4⅛	4¾	4⅞	+⅛
42	32⅛	WinDis1.74	4.5	14	117	40¾	38¾	39	−1¾
20¾	8½	Winnbg .20	1.1	34	1342	19½	18¼	18½	−⅞
6⅝	5⅛	Winner			49	6¾	5½	5½	−⅛
10⅛	4½	WinterJ.05e	.6	28	11	9	8⅝	8⅝	
51⅛	30¾	WiscEP2.68	5.4	12	1338	50⅛	49⅞	49⅞	−¾
103	76	WisE pf8.90	8.8		z200	103	100	100	−2
100¾	66	WisE pf7.75	7.8		z50	100	100	100	
49¾	28⅞	WiscPL2.84	6.0	11	123	48	46	47	−1
48½	33½	WiscPS2.66	6.1	11	137	47⅞	46½	46¾	−⅞
56⅞	33	Witco 1.48	2.9	13	128	54⅛	53¾	53¾	−⅛
14	9⅞	WolvrW .24	2.0	21	117	11⅞	11¾	11⅞	−⅛
91½	41⅛	Wolwth 2	2.6	14	x3242	78	76⅞	76⅞	−½
5⅝	3	WrldAr			23	4	3⅞	3⅞	−⅛
40	20¼	Wrigly s .96	2.3	20	592	u42¼	40	41	+1
4½	2⅝	Wurltzr			11	3¼	3¼	3¼	
17½	10⅝	WyleLb .32	1.9	84	626	17¼	16¾	16¾	−⅜
21	15	Wynns .60	2.9		196	u21⅛	20⅞	21	+⅛
		X Y Z							
72¼	44⅞	Xerox 3	4.9	14	4496	61¼	60¼	60⅝	+¼
58¾	52	Xerox pf5.45	9.4		21	57¾	57⅝	57¾	
28⅝	20⅝	XTRA .64	2.5	21	86	26⅝	25⅞	26	−¾
17	13⅛	Yorkin n			718	14	13⅝	13¾	−⅛
37	26¼	ZaleCp 1.32	3.9	13	112	34	33⅝	33⅞	
14⅝	3½	Zapata .03j			375	4¼	4⅛	4¼	+⅛
80	45⅝	Zayre s .64	.8	23	721	76⅞	75¾	75¾	−1¼
28⅞	18¼	ZenithE			6219	u29⅞	28⅝	28⅞	+⅛
36⅝	15½	ZenLbs .10i	.3	25	787	u35⅝	35¾	35⅞	+⅛
22⅞	13⅜	Zero s .29	1.4		57	20⅝	20¼	20¼	−¼
45¾	28⅝	Zumin 1.32	3.1	15	68	43⅞	42¼	42¼	−1¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, *rates of dividends are annual disbursements based on the latest declaration.*

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, April 29

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Additional cause for gloom

DISAPPOINTMENT with the flow of corporate trading reports continued to foster doubts on Wall Street yesterday, *writes Terry Byland in New York.*

The blue-chip stocks opened steadily but fell heavily at midsession when premiums on stock futures narrowed, triggering selling programmes across the range of the market. Technology issues led the rout as investors reacted to IBM's report to stockholders.

There was some nervousness over losses in selected utilities as reports reached New York of the serious nature of the nuclear accident in the Soviet Union.

At 2pm the Dow Jones industrial average was 19.84 down at 1,823.91.

The Dow utilities average slumped more than 5 points when stocks of some nuclear powered utilities fell heavily on the possible implications for US safety regulations of the Soviet accident. There was heavy trading in Long Island Lighting (Lilco), operator of the Shoreham nuclear plant near Manhattan. At $11¾ Lilco was $⅞ off.

Other utilities to weaken included Consolidated Edison, with 17 per cent of its power nuclear generated, which fell $1¾ to $42¼. Atlantic City Electric, with 21 per cent, down $1½ at $34¼, Carolina Power 19 per cent, down $1¼ at $32⅞, and Eastern Utilities, 11 per cent, down $1⅛ at $31⅛.

Losses among the leading computer issues were extended sharply as the selling programmes dug into the market. IBM lost $3¼ to $158¾ in heavy turnover as Monday's late buying spurt died away and the market was left to absorb the board's cautious report to stockholders.

Sperry Corporation dropped $1⅞ to $54⅞ after announcing annual profits. Other dull features included Burroughs, once a prospective bid partner for Sperry, which dipped $1⅛ to $60⅞, Digital Equipment, down $2⅞ at $180, and Honeywell, $5⅝ lower at $75⅝.

Semiconductor issues also trembled after reports that a leading analyst might downgrade the sector. At $48½ Motorola fell $1 in brisk selling.

Hardest hit among corporate reporters was Raychem, the manufactured plastic group, which plunged $19 to $107 after reporting increased earnings which failed to match the bulls' hopes.

American Brands jumped a further $1⅜ to $93⅜ although Bat Industries of the UK declined comment on market hints that it might bid for the US company. On cooler consideration, Wall Street scouted the rumours, pointing out that American Brands is a weak player in a competitive US tobacco industry plagued by worries over product liability attacks.

There was some hefty profit-taking in pharmaceuticals, where Merck dipped $1⅞ to $176⅞ and Pfizer $1⅞ to $59⅞.

Weak chemicals were featured by Du Pont, down $1 at $78⅝.

Widespread losses among the banks left J.P. Morgan down $1⅛ at $85 and Citicorp $⅞ off at $45⅝. American Express, however, which it to buy in another 10m common shares, gained $⅞ to $81⅞ in heavy turnover.

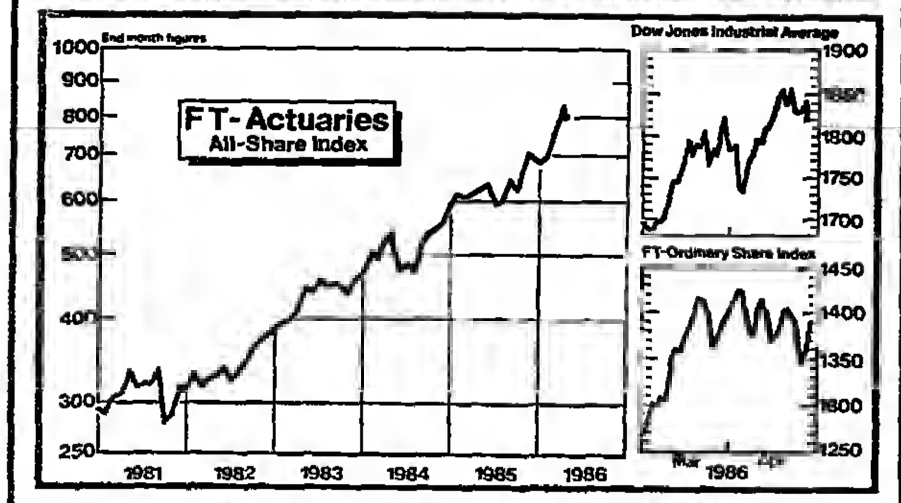
Oils showed little change as investors waited for the next trend in world prices. Chevron eased $⅜ to $38⅞ on results. At $57½, Exxon shed $½, and Atlantic Richfield lost a further $½ to $52½ in continued reaction to the lower profits news.

Reports of some scattered buyin of federal bonds from Japan helped government issues put on half a point or so, but the credit markets remained wary ahead of today's expected announcement of a $25bn Treasury refunding programme.

The latest federal data on US economic indicators and housing starts left analysts still in doubt on the pace of the economy.

The Fed again helped the markets, this time with $2.5bn in customer repurchases when federal funds were at 6⅞ per cent. Short-term rates edged higher, none the less, as the market continued nervous about teh immediate outlook.

KEY MARKET MONITORS



STOCK MARKET INDICES

	April 29	Previous	Year ago
NEW YORK			
DJ Industrials	1,823.91*	1,843.75	1,259.72
DJ Transport	804.59*	815.26	578.39
DJ Utilities	181.32*	185.58	154.13
S&P Composite	239.79*	243.08	180.63
LONDON			
FT Ord	1,391.2	1,365.3	971.4
FT-SE 100	1,656.3	1,628.8	1,292.9
FT-A All-share	813.68	801.14	622.11
FT-A 500	891.90	877.37	682.67
FT Gold mines	247.8	253.7	501.3
FT-A Long gilt	8.91	8.97	10.57
TOKYO			
Nikkei	closed	15,757.98	12,405.1
Tokyo SE	closed	1,248.11	957.93
AUSTRALIA			
All Ord.	1,209.1	1,206.9	868.7
Metals & Mins.	520.7	529.2	561.5
AUSTRIA			
Credit Aktien	128.95	129.78	79.73
BELGIUM			
Belgian SE	3,594.77	3,616.10	2,223.83
CANADA			
Toronto			
Metals & Mins	2,161.1*	2,187.3	2,029.0
Composite	3,119.4*	3,126.3	2,650.9
Montreal			
Portfolio	1,605.94*	609.33	130.92
DENMARK			
SE	n/a	241.61	187.7
FRANCE			
CAC Gen	n/a	402.7	215.4
Ind. Tendance	147.5	150.1	76.1
WEST GERMANY			
FAZ-Aktien	718.05	703.81	422.51
Commerzbank	2,175.7	2,134.7	1,230.1
HONG KONG			
Hang Seng	1,826.29	1,848.65	1,497.37
ITALY			
Banca Comm.	742.86	752.88	279.38
NETHERLANDS			
ANP-CBS Gen	267.0	267.5	210.5
ANP-CBS Ind	254.4	254.8	169.9
NORWAY			
Oslo SE	334.89	351.03	326.06
SINGAPORE			
Straits Times	571.32	563.34	795.53
SOUTH AFRICA			
JSE Golds	–	1,159.2	1,057.4
JSE Industrials	–	1,088.7	886.4
SPAIN			
Madrid SE	179.82	177.03	80.35
SWEDEN			
J & P	2,261.35	2,555.05	1,445.05
SWITZERLAND			
Swiss Bank Ind	587.4	580.5	424.5
WORLD	April 28	Prev	Year ago
MS Capital Int'l	321.6	319.6	202.8

COMMODITIES

(London)	April 29	Prev
Silver (spot fixing)	324.40p	330.00p
Copper (cash)	£919.50	£925.00
Coffee (May)	£2,227.00	£2,228.50
Oil (Brent blend)	$12.45	$12.875

GOLD (per ounce)

	April 29	Prev
London	$345.75	$344.75
Zürich	$343.25	$343.60
Paris (fixing)	$344.05	$345.83
Luxembourg	$342.50	$345.00
New York (June)	$346.90	$345.80

CURRENCIES

(London)	US DOLLAR April 29	US DOLLAR Previous	STERLING April 29	STERLING Previous
$	–	–	1.5525	1.5555
DM	2.1755	2.164	3.3775	3.365
Yen	167.8	167.15	260.5	250.0
FFr	6.9325	6.8975	10.7625	10.73
SFr	1.8195	1.808	2.825	2.8125
Guilder	2.4535	2.442	3.81	3.7975
Lira	1,489.0	1,485.5	2,311.5	2,311.25
BFr	44.25	44.15	68.7	68.65
C$	1.3795	1.3775	2.141	2.14

INTEREST RATES

	April 29	Prev
Euro-currencies (3-month offered rate)		
£	10 7/16	10½
SFr	4 7/16	4⅜
DM	4⅝	4⅝
FFr	7½	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅞	7
6-month US$	6⅞	6 15/16
US Fed Funds	6 13/16*	8 13/16
US 3-month CDs	8.5	6.65
US 3-month T-bills	6.085	6.095

US BONDS

Treasury

	April 29* Price	April 29* Yield	Prev Price	Prev Yield
6⅝ 1988	99 15/32	8.863	99 15/32	8.897
7⅞ 1993	100 13/32	7.302	99 24/32	7.418
8⅞ 1996	110 8/32	7.41	109 11/32	7.508
9¼ 2016	121 8/32	7.477	119 24/32	7.568

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	April 29* Return Index	April 29* Day's change	Yield	Day's change
1–30	151.93	+0.48	7.38	−0.05
1–10	143.82	+0.22	7.22	−0.04
1– 3	134.83	+0.09	6.99	−0.03
3– 5	145.91	+0.34	7.35	−0.07
15–30	181.01	+1.31	7.91	−0.07

Source: Merrill Lynch

Corporate	April 29* Price	April 29* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	88⅞	7.00	88⅞	7.0
SCBT South Central				
10⅞ Jan 1993	107⅞	7.52	107	7.61
Phibro-Sal				
8 April 1996	98⅞	8.18	98⅜	8.18
TRW				
8⅜ March 1996	103	8.18	102⅞	8.19
Arco				
9⅞ March 2016	106⅞	8.22	105⅜	8.3
General Motors				
8⅜ April 2016	94⅞	8.66	93⅞	8.71
Citicorp				
9⅞ March 2016	99	8.97	93	9.57

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	100-14	100-27	99-28	99-21
US Treasury Bills (IMM) $1m points of 100%				
June	94.13	94.20	94.08	94.14
Certificates of Deposit (IMM) $1m points of 100%				
Sept	93.58	93.58	n/a	93.53
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.25	93.29	93.25	93.19
20-year Notional Gilt £50,000 32nds of 100%				
June	127-02	127-10	126-27	126-17

** Latest available figures*

TOKYO BOND MARKET

Surge of activity in US issues

FOREIGN bond purchases by Japanese institutional investors, such as life insurance companies and trust banks, have grown rapidly, creating in Tokyo an over-the-counter market in long-term US government bonds, *writes Shigeo Nishiwaki of Jiji Press.*

These long-term bonds account for about 90 per cent of the foreign bonds purchased and have a sizable impact on the bond market in New York. Meanwhile, some large Japanese securities houses have applied to become primary dealers.

These developments have reduced the distance between the bond markets in Japan and the US.

In 1985 Japan's foreign bond purchases amounted to $291.4bn and sales to $237.9bn, resulting in net purchases of $53.5bn, which nearly matched the nation's trade surplus for the year. The net foreign bond purchases were double those in 1984 ($26.8bn), which were twice as large as those in 1983 ($12.5bn).

The growth has continued into this year. Net foreign bond purchases came to $5.7bn in January, $6.0bn in February and $8.5bn in March. In the first half of

The Tokyo market was closed yesterday for a national holiday.

April it is estimated that purchases and sales were roughly balanced as a result of the dollar's sharp decline against the yen.

Bonds with 20 to 30 years' maturity are favourite purchases, largely because the yield on 30-year US government bonds reached 13 per cent in 1984 to stand at about 8 per cent higher than the yield on 10-year Japanese government bonds. Their high liquidity is also attractive to Japanese investors.

A major change has recently taken place in Japanese investors' strategy. They have shifted away from holding US government bonds for a long period, and to dealing in them for short-term profits.

US government purchases amounted to $229.1bn in 1983, more than doubling sales of $104.0bn. In 1985 both purchases and sales far surpassed the 1983 levels, but purchases were just over 20 per cent larger than sales.

This might be attributed in large measure to a narrowing of the differential between US and Japanese bond yields to about 3.5 per cent and wider fluctuations in exchange rates. This also reflected the fact that Japanese institutions have become increasingly eager to hedge the risk of price changes as their foreign bond holdings swelled sharply.

As a result of the surge in Japan's foreign bond purchases, trading volume on the over-the-counter market for long-term US government bonds in particular increased impressively to $176.1bn in 1985 from $54.5bn in 1984 and $22.6bn in 1983. The rapid growth has continued again this year.

Lured by the expansion of the market, Fundamental Brokers of the US has moved into Japan, providing major financial institutions with information about prices of principal US bonds. Another US broker inputs in its computers the bid and asked prices of US government bonds quoted by major securities firms in Tokyo.

As the bond markets in Tokyo and New York are increasingly interconnected, the supply and demand for US government bonds in Tokyo has had a major influence on the bond market in New York.

Large securities houses have actively participated in the auction of US government bonds. Their combined share of 20 to 30-year bonds auctions has risen to about 40 per cent this year, second only to US brokerage houses and banks. Their bidding strategy has thus come to influence the outcome of auctions.

They have applied to the Federal Reserve to become primary dealers, and by the end of last year the Fed had completed its first examination of assets, personnel and trading shares of two applicants – Nomura Securities and Daiwa Securities.

EUROPE

Technical factors dominate

TECHNICAL FACTORS dominated mixed European trading yesterday as foreign buyers remained uneasy over the course of the dollar and domestic investors prepared for the May Day holiday.

Frankfurt staged a solid recovery from Monday's sharp fall, and the Commerzbank index regained 41 points to 2,175.7, largely on the strength of persistent domestic institutional buying and scattered bargain-hunting.

Deutsche Bank rose DM 16 to DM 867.50 while Commerzbank recouped DM 12.50 to DM 353.50.

Siemens was the brightest spot in the electrical sector with its DM 27.50 surge to DM 877 although AEG staged a DM 10 advance to DM 349.

Among the car makers Daimler rebounded DM 22 to DM 1,499, and VW, which suffered a particularly harsh mark-down on Monday, recovered almost all of it with a DM 21.10 rebound to DM 832.10.

Builder Holzmann turned DM 11 closter to its high for the year to finish at DM 641.

Veba rose DM 35 to DM 380, a new high for the year, as its Preussenelektra subsidiary boosted its 1985 dividend.

Bonds were subdued as overseas operators remained on the sidelines. Gains of up to 20 basis points and losses of up to 30 basis points were recorded.

The central bank reduced its market balancing operations to sales of DM 8.8m worth of paper compared with Monday's sales of DM 15.1m.

Profit-takers surfaced in **Paris** as the pre-holiday mood spread to most sectors. The prime-rate cut was announced after the market had closed.

Building issues, which have underpinned much of the bourse's recent advance, suffered steady technical selling. Bouygues gave up FFr 54 to FFr 1,180, and Lafarge-Coppée lost FFr 50 to FFr 1,495. Screg took a bruising with another FFr 9 decline to FFr 79.

Hypermarket group Carrefour fell FFr 160 to FFr 3,630 ahead of its profits forecast for 1986.

Among very weak engineering stocks Dassault fell FFr 219 to FFr 1,631 although Thomson-CSF in the electronics sector picked up FFr 25 to FFr 1,210. Peugeot continued to rise with a further FFr 9 gain to FFr 1,049.

Oslo continued to feel queasy ahead of the Government's decision about an early election. Industrials and banks were hardest hit as the bourse's All Share index lost some 4.2 per cent of its value with a 11.56 retreat to 262.34.

Some of the declines were the worst in a decade, according to brokers, but leading blue chips held up reasonably well. Norsk Hydro, which represents about a quarter of the bourse's capitalisation and which has been under severe pressure recently due to the weaker dollar and the fall in the oil price, fell NKr 2 to NKr 127.

Norsk Data, another popular blue chip among international investors, lost NKr 10 to NKr 425, a drop of 2.3 per cent.

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SINGAPORE

THE FIVE-DAY run of lower sessions came to an abrupt halt in Singapore yesterday as bargain hunters picked up issues, pushing prices higher across the board.

The Straits Times industrial index climbed 8.02 to 571.38, and volume increased to 8.1m shares from 6.3m on Monday.

TDM, the most active stock, rose 9 cents to S$1.02, Sime Darby put on 2 cents to S$1.16 and industrials were led by Fraser & Neave, up 15 cents at S$5.65, and Singapore Press, higher by a similar amount at S$5.80.

CANADA

GOLD ISSUES edged higher while most other sectors traded mixed in Toronto yesterday.

Among companies to report higher first-quarter profits, Dupont Canada climbed C$1 to C$25⅞ and Placer Development traded C$⅜ higher at C$22.

Golds turned higher, with Lac Minerals up C$⅞ at C$19⅛ and Campbell Red Lake C$⅞ stronger at C$21⅞.

Montreal was easier.

SOUTH AFRICA

MOST ISSUES faded in Johannesburg as a weaker bullion price depressed other sectors.

Among gold issues Vaal Reefs dropped R9 to R204, Buffels R3 to R64 and Driefontein R1.50 to R50.50.

Retailer OK Bazaars, which recorded a loss for the year to March 31, was unchanged at R11.50. The group expects an improvement in this year's results.

LONDON

Electricals encourage positive lead

ELECTRICALS led London higher as the sector's firmness spilled over into other areas. Confidence was reinforced by exchange rates and also by an encouraging report from the employers' group CBI on UK industrial trends in April.

GEC was strongly supported, rising 14p to 208p, and Racal Electrical added 10p to 218p.

A favourable trading statement and relief over the absence of any call for fresh funds contributed to gains at Blue Circle Industries, up 43p at 716p.

The FT Ordinary share index added 25.9 to 1,391.2, and the FT-SE 100 rose 27.5 to 1,656.3.

Business in gilts was light, but in the absence of selling prices advanced. Longs recorded gains of around ¼.

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AUSTRALIA

MINING issues were sold in Sydney yesterday, but renewed enthusiasm for industrials pushed the market slightly higher.

As the Australian dollar strengthened against the US currency, investors sold miners. CRA dropped 18 cents to A$6.36 and Bougainville and Western Mining 5 cents each to A$2.55 and A$3.20 respectively.

Wormald, rumoured to be a takeover target, jumped 28 cents to A$4.10, a record price, while Adsteam also hit a peak of A$13.70 before settling back to end at A$13.60, up 30 cents.

HONG KONG

PROFIT-TAKING, after the previous two days of record trade, clawed at gains in Hong Kong, and most issues ended generally lower.

The Hang Seng index gave up 22.36 to 1,826.29, and turnover rose to HK$548.44 worth of shares from HK$429.38m on Monday.

Banks, which recorded strong rises in Monday's session, were stripped of their gains. Bank of East Asia lost 10 cents to HK$20.30 and Hongkong Bank 20 cents to HK$7.10.